

# INDONESIANISASI

Politics in a Changing Economy, 1940-1955

JOHN O. SUTTER



4 VOLUMES  
PRICE \$8.00

VOLUME III  
DATA PAPER NO. 36-III  
SOUTHEAST ASIA PROGRAM  
DEPARTMENT OF FAR EASTERN STUDIES  
CORNELL UNIVERSITY, ITHACA, NEW YORK  
APRIL, 1959







INDONESIANISASI

Politics in a Changing Economy, 1940-1955

Volume III



## THE CORNELL UNIVERSITY SOUTHEAST ASIA PROGRAM

The Southeast Asia Program was organized at Cornell University in the Department of Far Eastern Studies in 1950. It is a teaching and research program of interdisciplinary studies in the humanities, social sciences and some natural sciences. It deals with Southeast Asia as a region, and with the individual countries of the area: Burma, Cambodia, Indonesia, Laos, Malaya, the Philippines, Thailand, and Vietnam.

The activities of the Program are carried on both at Cornell and in Southeast Asia. They include an undergraduate and graduate curriculum at Cornell which provides instruction by specialists in Southeast Asian cultural history and present-day affairs and offers intensive training in each of the major languages of the area. The Program sponsors group research projects on Thailand, on Indonesia, on the Philippines, and on the area's Chinese minorities. At the same time, individual staff and students of the Program have done field research in every Southeast Asian country.

A list of publications relating to Southeast Asia which may be obtained on prepaid order directly from the Program is given at the end of this volume. Information on Program staff, fellowships, requirements for degrees, and current course offerings will be found in an Announcement of the Department of Far Eastern Studies obtainable from the Director, Southeast Asia Program, Morrill Hall, Cornell University, Ithaca, New York.



INDONESIANISASI

Politics in a Changing Economy, 1940-1955

Volume III

Sovereign Indonesia Strives For A National Economy:

The Sectors of the Economy

by

John O. Sutter

Data Paper Number 36-III  
Southeast Asia Program  
Department of Far Eastern Studies  
Cornell University, Ithaca, New York  
April, 1959

Price \$8.00  
for 4 Volumes



©  
John O. Sutter  
1959



Volume I  
of  
Indonesianisasi  
has a Table of Contents  
for all four volumes  
that goes from page IV to XIX

The section of the Table of Contents  
that pertains to the pages  
included in this volume  
has been repeated  
at the beginning of this volume.

That is why there is a gap  
in the Roman numeral section of this volume.





## TABLE OF CONTENTS

11V

### VOLUME III

#### **Part 4: SOVEREIGN INDONESIA STRIVES FOR A NATIONAL ECONOMY**

XVIII: AGRICULTURAL ESTATES . . . . .	595
Restoration of Estates . . . . .	595
P.P.N. No. 2 . . . . .	702
Sugar Estates . . . . .	701
Debates over Sugar Land Rentals". . . . .	707
Private Lands . . . . .	712
Ahen Erningpradja Motions . . . . .	715
East Sumatra Land Problems. . . . .	720
Tandjung Morawa Incident . . . . .	736
The "North Sumatra Land Distribution Problem" in Parliament .	710
Sidik Kertapati Motion . . . . .	753
Agrarian Commission . . . . .	756
The Middle Course: Tauchid and Singgih . . . . .	757
State Commission for East Sumatra Estate Lands Distribution .	752
More Attempts to Solve Land Disputes . . . . .	766
AD: MANUFACTURING . . . . .	772
Economic Urgency Program . . . . .	774
Industrialization and Foreign Investment . . . . .	778
Bank Industri Negara . . . . .	782
Major New Industries . . . . .	786
New Private Indonesian Industries . . . . .	791
Construction Industry . . . . .	796
Indonesianization of Existing Factories . . . . .	799



## XIX Continued:

Ethnic Distribution of Some Industries . . . . .	802
Indonesianization of Rice Milling . . . . .	805
Industrial Promotion Schemes". . . . .	808

XX: MINERAL PRODUCTION . . . . .	814
P.T.M.R.I. . . . .	815
Teuku Hasan Motion". . . . .	819
State Commission on Mining Affairs . . . . .	820
Large Petroleum Producers . . . . .	826
North Sumatra Oil: to Nationalize or not to Nationalize? . .	831
North Sumatra Petroleum Coordinator . . . . .	837
Indonesianization of Tin Production . . . . .	846
Salt Monopoly . . . . .	850
Abulhajjat Motion". . . . .	853
Other Mining . . . . .	860

XXI: PUBLIC UTILITIES . . . . .	867
Kobarsjih Motion, etc. . . . .	871
Saddak Motion . . . . .	883
Nationalization of Electricity Companies". . . . .	885

XXII: TRANSPORTATION . . . . .	892
Garuda Indonesian Airways . . . . .	892
Pioneer Aviation Corporation . . . . .	900
The Railways . . . . .	902
P.P.L. . . . .	905
Bus Transportation . . . . .	907
Truck Companies . . . . .	924

XXII Continued:

DAMRI . . . . .	926
Hotels . . . . .	929
Shipping Policy . . . . .	932
Pepuska . . . . .	936
National Shipping . . . . .	940
Pelni . . . . .	947
Harbor Facilities . . . . .	953

XXIII: FINANCE . . . . . 953

Indonesianization of Java Bank Officers . . . . .	958
Nationalization of the Java Bank . . . . .	961
Bank Indonesia . . . . .	965
Bank Negara Indonesia . . . . .	973
B.N.I. Subsidiaries . . . . .	981
Bank Rakjat Indonesia . . . . .	983
Jajasan Kredit . . . . .	989
Private Indonesian Banks . . . . .	992
Bank Umum Nasional . . . . .	997
Stock Exchange . . . . .	1001
Insurance Companies . . . . .	1002
Company Tax . . . . .	1004
Djaswadi Amendment . . . . .	1007

XXIV: TRADE . . . . . 1016

Benteng Importers . . . . .	1017
National Importers . . . . .	1021
P. 41 and the Distribution of Exchange . . . . .	1029
Gapindo . . . . .	1035



III. Continued:

The Moscow Economic Conference and BAKUNA . . . . .	1039
IKINI . . . . .	1046
Batik and Kretek. . . . .	1048
Importing and the P.S.I.. . . . .	1052
N.V. Suez . . . . .	1055
Tjikwan Interpellation . . . . .	1060
Tjikwan Motion and Special Licenses . . . . .	1067
P.T. Interkertas . . . . .	1075
Exit Iskaq . . . . .	1079
Margono Resolution . . . . .	1081
Other Commercial Indonesianization . . . . .	1089
Pharmacies . . . . .	1096
Jajasan Kopra . . . . .	1101

INDONESIANISASI

PART FOUR

SOVEREIGN INDONESIA STRIVES FOR A NATIONAL ECONOMY





## CHAPTER XVIII: AGRICULTURAL ESTATES

### Restoration of Estates

Although most estate operators already had access to their properties lying in Dutch-occupied territories, before the transfer of sovereignty there had been little restoration of estates in Republican areas. Twenty percent of them the Republican Government estimated could be returned to production quickly; perhaps forty percent, although damaged, could be rehabilitated; but the balance it reported to be in a state of complete ruin.<sup>1</sup> In line with existing policy and agreements (in particular Article 1 of the R.T.C. Financial and Economic Agreement), beginning in 1950 the Indonesian Governments undertook to permit the restoration of alien estates to their proprietors unless these had been enemy nationals (Germans, Italians, and Japanese). It was acknowledged that estates were an important source of badly-needed foreign exchange, yet the estates were also expected to replace colonial personnel policies with new ones aiming at raising the standard of living of their employees.

The problem of restoration was complicated, however, by the occupation of many estate lands by the local population--veterans and ex-guerrillas as well as permanent civilians (a factor recognized in Section 3a of Article 1). Furthermore, the RIS Government considered utilization of estate land by the local population during the Japanese and Revolutionary periods to have been lawful. Since by 1950 it had become necessary to regularize the situation, especially if the original proprietors still wanted the return of their estates, Minister of Prosperity Djuanda announced that where occupied estate lands were returned to their proprietors, the settlers would be given other land or com-

---

1. R.I. Kementerian Penerangan, Kabinet Republik Indonesia, p. 66.



poneration.<sup>2</sup> According to Minister of Interior Ide Anak Agung Gde Agung, however, where well-run farms had arisen, the Government would endeavor to transfer such lands to the farmers and grant them hak milik (ownership rights). But if an occupant misused the land, other action would be necessary. Nevertheless, eviction would only occur on the basis of a decree by the appropriate authorities.

Early in January 1950, the RIS Ministry of Prosperity drafted a set of instructions on restoration, in which the above principles were included. Before putting them into operation, it decided to discuss them with the associations of enterprises concerned and the appropriate state governments. However, two months later the agreement of the estate associations had still not been obtained, especially on guarantees to be given labor at the time of restoration. Accordingly, the Ministry of prosperity left to the R.I. Ministry of Agriculture the management of the restoration, to be accomplished gradually and through dealing directly with the individual estate proprietors.<sup>4</sup>

To facilitate the restoration, the R.I. Ministers of Interior, Agriculture, and Labor by joint decree on 8 March 1950 authorized the establishment of a Panitia Pengembalian Perusahaan Perkebunan Milik Asing (P.P.M.A.---Alien Estates Restoration Commission) in each of the leading estate areas, with the task of taking an inventory of the estates and advising the respective governor, who then might grant the request of the owner to inspect and/or repossess his estate and fix the amount of compensation to be paid by the owner for maintenance

---

2. Letter of Djuanda of 17 May 1950 in reply to Mochammad Tauchid query, Pertanyaan Anggota dan Djawaban Pemerintah, II, 68.

3. Letter of Min. Agung of 29 July 1950 in reply to a query by Tauchid, and reply on 5 Aug. 1950 to a query by Ahem Erningpradja, Pertanyaan Anggota dan Djawaban Pemerintah, II, 41-42, 45-46, 52-54.

4. Reply of Min Djuanda to a query by Ahem Erningpradja, 25 July 1950, Pertanyaan Anggota dan Djawaban Pemerintah, II, 98-99.

of the crops and buildings during his absence. After the proprietors of 110 estates on Java had been granted permission to return through this means, by decree of Minister of Agriculture Sadjarwo on 1 August agencies of the Department of Estates--of which former minister I.J. Kasimo was Chief--were set up in estate regions with the task of "assisting the Government to restore the productive capacity of estate export commodities to the pre-war status both quantitatively and qualitatively." This task was to be effected by assisting operators in rehabilitating all estate enterprises, regardless of whether owned by the Government, aliens, or Indonesians, and by aiding organized efforts of Indonesian nationals to work estates which could no longer be operated by their original proprietors.<sup>5</sup>

The ease with which estates were restored often depended upon such factors as: (1) the extent of damage to the estate's real assets, which affected any decision to resume operations; (2) the availability of capital to the proprietor especially if the property had been heavily damaged; (3) the extent to which portions of estate lands had come under cultivation for foodstuffs by the local population; (4) the demands of caretaker organizations for compensation from the returning proprietor; (5) local bandit activity, sometimes correlated to the extent of squatting on the estate lands; and (6) local political opposition (usually so correlated).

In North Sumatra, the Restoration Commission was dispensed with since the largest estates union, Sarbupri, would not accept a seat on it. In Atjeh, which had forty-nine estates before the war (none of which had been returned to a proprietor by 1950), most were being operated at the time of the transfer

---

5. Ibid.; Republik Indonesia: Propinsi Djawa Timur, pp. 332-333. In April Kasimo and Muda Dalam inspected estate conditions in East Sumatra on behalf of the RIS House of Representatives.

of sovereignty by a regional organization called the Perusahaan Perkebunan Negara (State Plantation Enterprise). On 25 September 1951, the first estate in Atjeh was restored to its legal proprietor, and within half a year thirty had been restored. However, since the proprietors of half of these were not in a position to operate the estates themselves, they leased them out to private persons, mostly Indonesians but also some Chinese. In 1952 at least five estates in Atjeh were still under the control of their kabupaten government, which leased them out to private operators; this included three whose original proprietors renounced their rights since they could not pay the necessary compensation, and two whose original proprietors had requested a postponement of restoration. By early 1952 all fifteen estates in Tapanuli had been officially restored to their owners, although here too several were subsequently leased to Chinese.<sup>6</sup>

In the leading estate area of East Sumatra, which before the war had 316 estates--half of them for rubber--the great majority had already been restored to their proprietors during the N.S.T. period. A few in the highland areas were restored in 1951, but their proprietors--unable to operate them on an economical basis--leased them out to others. By 1952, 98 percent of the rubber estates, 88 percent of the oil-palm estates, and 80 percent of the hard fiber estates were back in operation. However, half of the tobacco concession land had been returned to the state, several estates were closed down and others were merged together.<sup>7</sup>

The tea estates suffered the hardest, relatively speaking, since one-third

---

6. Republik Indonesia: Propinsi Sumatera Utara, [henceforth RI:PSU] pp. 536-539, 544-549, 557. The Atjeh organization should not be confused with the P.P.N. (Pusat Perkebunan Negara), with headquarters in Djakarta.

7. Ibid., pp. 538-540, 542-548, 557.



of their plants had been uprooted during the Japanese period and all save one factory had been subsequently left in ruins. Consequently by 1952, only seven of the sixteen tea estates in East Sumatra were still in operation. During that year Indonesianization took place in this agricultural sector at the expense of the British. The Sumatra Tea Estates Ltd. (of London) before the war had operated six tea estates on 10,000 hectares of concession land in Simelungun. These were subsequently merged into three estates. By 1952 reduced labor productivity along with continued demands for wage increases, the high costs of rehabilitation, and the decline in the world market price made it impossible for the company to operate at a profit. It consequently borrowed from the Bank Industri Negarak. Prospects, however, continued unfavorable. The company was going further and further into debt as demands for social provisions for the workers continued and illegal squatting on its lands increased. Thus, on 24 July 1952 the company suspended operations on the two estates then still working. After regional government agencies proposed that the estates be operated by the Government--but on a sound commercial basis, not as a social organization--the company turned over all its property to the B.I.N., which reopened the factory on the "Mardjani" tea estate in December. The reconstruction bank then set up the M.V. Perusahaan Perkebunan Mardjani (Mardjani Estate Company, Inc.) as its wholly-owned subsidiary, which thereby became the largest Indonesian corporation operating estates.<sup>8</sup>

8. Ibid., p. 545; Antara, 25, 28, 30 July, 8 Aug. 1952; Tobing, Sumatera Utara, pp. 115-122; Bank Industri Negara, Report on the First 5 Years of its Existence, pp. 16, 24. The B.I.N. held Rp.1.3. million in the capital stock of the Mardjani company and had advanced it Rp.11.5 million.

One local observer reported that the British Government had prohibited the transfer of British funds to rehabilitate these tea estates since the Commonwealth could allegedly sell tea more cheaply to the United Kingdom than could Indonesia. Tobing, op. cit., pp. 115-117.

Although no complete data on restoration of "upland" estates for other regions has been published, apparently few estates in Central Sumatra were restored, partly because of the shortage of available labor,<sup>9</sup> but by 1951, fifty-five estates in South Sumatra were back in production.<sup>10</sup> Most of the estates in West Java (the second principal estate area) resumed production, despite the banditry in certain regions. The problem of squatting on estate lands to the extent of hampering operations was greatest in parts of the P & T Lands and in Tjiamis.<sup>11</sup> In the Special District of Jogjakarta, none of the tobacco estate proprietors resumed operations although three once expressed an interest to do so. At the same time smallholder cultivation of tobacco expanded.<sup>12</sup> Elsewhere in Central Java, much friction between returning estates and local occupants was reported at Bodjolali.<sup>13</sup>

More complete data is available on the status of restoration in East Java (the third-ranking estate province). Of 264 upland estates on erfpachts before the war, 153 reportedly had been restored to their owners by the end of 1952. The large majority of those restored unconditionally before the transfer of sovereignty (half of them in Besuki) continued operating, although insecurity in certain areas forced a few subsequently to suspend operations. After obtaining a provisional permit from the governor in 1950, twenty more (mostly

---

9. Laporan Tahunan Sumatera Tengah 1954, (Bukittinggi: Djawatan Penerangan Propinsi Sumatera Tengah, 1954), pp. 145-153.

10. R.I.: Propinsi Sumatera Selatan, pp. 431-433.

11. R.I.: Propinsi Djawa Barat, pp. 388-395; Report by Agriculture Committee to Parliament, 14 June, in Dewan Perwakilan Rakyat R.I., Risalah Perundingan /henceforth R.P./ 1951, pp. 5065-5070.

12. R.I.: Daerah Istimewa Jogjakarta, pp. 507-508. See "Sugar Estates", infra.

13. Agriculture Committee report, op. cit.

in Malang) were repossessed by their proprietors, but only three followed in 1951 and nine (principally in Kediri) in 1952. Other proprietors who had provisionally been permitted to inspect and reoccupy their estates did not reoccupy them by the end of 1952, largely because no final agreement had been reached on the amount of compensation to be paid the local organizations or population that had been maintaining the estates during the interim. Moreover, applications by proprietors to return to thirty estates (mostly in Malang and Kediri) remained under consideration with the PMAA, largely because the demands for compensation were far beyond what the estate operators felt able to pay. In addition, for thirty-two estates there were no requests at all from proprietors for restoration. Most unrestored estates which local organizations attempted to operate (especially along the southern tier) were in an extremely depressed condition.<sup>14</sup> Nevertheless, by August 1952, only six percent of the erfpacht area in East Java had been legally Indonesianized.<sup>15</sup>

Three years after the transfer of sovereignty, over seventy percent of the estates on the islands of Java and Sumatra had been restored to their owners.<sup>16</sup>

---

14. R.I.: Propinsi Djawa Timur, pp. 339-341, 425-431, 627-634; Agriculture Committee report, *op. cit.*; I.J. Kasimo speech, 19 May, Ichtisar Parlemen /henceforth I.P./ 1952, pp. 412-414. Some conflict appears in the data compiled by the province.

Of the many estates occupied, guarded, or worked by veterans and ex-guerrillas, 9 had come under the jurisdiction of the Biro Rekonstruksi Nasional (the veterans rehabilitation bureau).

15. R.I.: Propinsi Djawa Timur, p. 442. Out of a total erfpacht area in the province of 248,214 ha., leases for parcels covering 2332 ha. had expired, 1784 ha. had been released by their lessees, 10,420 ha. had been bought up by the Government, and 465 ha. had been sold to Indonesians.

16. B. Natapermadi, "Tiga Tahun Pembangunan Perkebunan 1950-1952", Almanak Pertanian 1954, (Djakarta), p. 244.



Table 35: Status of estates on Java and Sumatra at end of 1952

<u>Operator</u>	<u>No. of estates</u>	<u>Area in hectares</u>
Private proprietor (restored)	1140	2,014,000*
Pusat Perkebunan Negara	40	47,000
Biro Rekonstruksi Nasional	11	10,000
Local population, laborers, ex-fighters	166	213,000
Status unknown (in insecure area; or factory and/or crops ruined)	<u>249</u>	<u>209,000</u>
Total operating in 1941:	1606	2,493,000

\* including several closed down again  
because of insecure conditions

Source: Ministry of Agriculture

P.P.N. No. 2

In the upland estate sector, "Indonesianization" in the general sense and socialization in particular<sup>17</sup> took place for seventeen estates classified as former enemy property when, following the transfer of sovereignty, the Gouvernementslandbouwbedrijven was renamed Pusat Perkebunan Negara (P.P.N.-- State Plantations Center, a name borrowed from the organization set up in 1946), and former Vice Minister Saksono became its director. The acquisition of these estates virtually doubled the amount of land under estate cultivation which was directly owned by the Government, making the P.P.N. the largest "mountain estate" organization in the country.<sup>18</sup> By 1952, after merging some

17. State ownership of a certain corporation in the agricultural sector led to a unique case of de-socialization. In 1946 the Netherlands Indies Government had set up the N.V. Bataviasche Model Boerderij, capitalized at half a million gulden, as a model dairy to test the raising of pedigreed milk cows in the Djakarta climate. The company encountered various hardships so that by late 1949 the Government was "considering selling out. Finally on 17 April 1950, the President authorized the sale of its stock at 25% of par to another dairy believed to be owned by Indonesians! "Putusan Presiden RIS No. 153", Berita-Negara RIS 1950, No. 27.

18. Government statement, 25 Oct., Dewan Perwakilan Rakyat Republik Indonesia, R.P. 1950, p. 2227.

of its smaller properties, it was operating thirty-five estates. While planning to rehabilitate the serpentine and resin enterprise in Atjeh, it also started a new rice enterprise near Lho Suken and had plans to expand mechanized cultivation of rice over 10,000 hectares. At that time, the P.P.N. employed 250 staff personnel and 30,000 workers.<sup>19</sup>

The P.P.N., operating under the Indische BedrijvenWet (I.B.W.--the law regulating some of the government's enterprises), which allowed a large degree of autonomy and a separate budget for government enterprises, regularly turned over net profits to the State Treasury. Although it had various training projects for speeding up the Indonesianization of its personnel, in view of the shortage of Indonesian technicians, it retained a number of Dutch staff personnel and estate managers.<sup>20</sup> Consequently, although labor relations on P.P.N. estates were usually satisfactory, occasional criticisms appeared, as when the Sarbupri (SOBSI) member in Parliament, Ahem Erningpradja, in mid-1952 complained that the Government operated the P.P.N. on a profit basis and then allegedly lost much of the profits by paying large bonuses to alien administrators and staff personnel.<sup>21</sup>

<sup>19</sup> Saksono Prawirohardjo, "Sekedar mengenai Organisasi dan Usaha Pusat Perkebunan Negara", Almanak Pertanian 1953, pp. 306-316. The P.P.N. estates had under cultivation 28,580 ha. in rubber, 10,004 ha. in oil palms, 3900 ha. in tea, 1400 ha. in gutta-percha, 1161 ha. in coconut, 883 ha. in coffee, and 860 ha. in cinchona.

The seventeen "enemy property" estates comprised 21,060 ha. The status of three of them remained unsettled since not all of their stockholders had been enemy nationals. Four other estates which had been temporarily placed under P.P.N. jurisdiction, were finally sold to private persons.

<sup>20</sup> Reply of Minister Djuanda to Abdullah Jusuf query, 25 July 1950, Pertanyaan Anggota dan Jawaban Pemerintah, II, 76-77.

<sup>21</sup> Speech, 19 May, I.P. 1952, p. 422.

The Wilopo Government pointed out (on 3 June) that bonuses represented only about 5 percent of the profits which accrued to the State and that the personnel affected had to pay heavy taxes to the State. Bonuses similar to those paid by other enterprises were termed necessary to attract the needed personnel. I.P. 1952, p. 575.

### Sugar Estates

By 1950, thirty-one sugar mills on Java were grinding again compared to 84 in 1939! By 1951, the number had risen to 46 (28 in East Java), with others still undergoing rehabilitation. Nevertheless, the prospects of restoring the sugar industry on Java were far from bright during those years. Although the upland estates with perennial crops had the problem of squatters--which naturally did not affect most sugar estates whose lands were periodically rented--the upland estates in general escaped the greatest nuisance facing the sugar estates: willful destruction of the crops in the fields! During the first full growing season after the transfer of sovereignty (1950/1951) over one-fifth of the cane was stolen, destroyed, or burnt down. The following year approximately one-sixth of the crop was similarly destroyed--still a sizeable amount. Seventy-five percent of the cane on one estate--"Modjopanggung"--was lost in this way in 1951. In the face of such continued destruction, the Government set up the Dana Moles Tebu (Sugar Molestation Fund) as a mutual insurance body. Gradually wanton destruction declined.<sup>22</sup>

At the end of 1951, the Javasche Bank, the Bank Industri Negara, and the three major Dutch commercial banks had outstanding Rp. 352.6 million in credits to forty-eight sugar mills. During its first year of operation (1951), the new government industrial recovery bank (the B.I.N.) financed 18 percent of the sugar production. The next year it accounted for 25 percent, as the prospects did not look very inviting to alien banks. Soon the B.I.N. had become the majority-stockholder of five sugar mills, four of which (including "Modjopanggung" were acquired from Dutch corporations. The fifth, "Krebet Baru", was undertaken

---

<sup>22</sup>. Bank Industri Negara, op. cit., pp. 52-53; Kasimo speech, I.I. 1952, p. 413; R.I.: Propinsi Djawa Timur, pp. 333-335.

jointly with N. V. Kian Gwan of Semarang, whose "Krebet" mill south of Malang had been ruined during the forties.<sup>23</sup>

The reappearance of this last name was indicative of a new development in sugar cane cultivation. In May 1952, Chief Kasimo of the Department of Estates, deploring the destruction of cane crops, called for cooperation on the basis of a "community of interests" between the sugar mills, farmer-landholders, and labor. Sundjote (Parindra), the father of the farmers' movement, recommended a system by which cane would be cultivated by smallholders and ground by the large mills. The Wilopo Government replied that a community of interests was already being sought in cane cultivation. Thus smallholder production of sugar cane (virtually prohibited under Dutch rule) skyrocketed from 71 hectares in 1950 to 24,031 in 1955. Most farmers found it profitable to sell their cane to nearby mills for grinding rather than pressing it with their own equipment. Since one of the major smallholder production centers arose south of Malang near the site of the old "Krebet" mill, which was too far from mills in operation, Kian Gwan with capital from the B.I.N. built its modern mill expressly for smallholder cane.<sup>24</sup>

In the district of Jogjakarta, where before the Depression there had been seventy-two sugar mills, ten of which were still grinding at the outbreak of World War II, by the time of the transfer of sovereignty every mill had been dismantled or burnt down. Under these circumstances and since estate companies had lost their conversion rights, they displayed little interest in reestablishing in the district. One did apply for and receive a provisional permit in 1951.

---

23. Bank Industri Negara, *op. cit.*, pp. 16, 23-24; Finance Committee report (read by Sundjoto), 26 May, I.P. 1952, p. 498; Antara, 14 Sept. 1952. Other B.I.N. sugar mills and their former owners are: "Tjukir" and "Pagottan" (Coster van Voorhout & Coy.), "Tjepiring" (Nationale Industrie en Landbouw Mij.), and "Modjopangung" (Tiedeman & Van Kerchem).



to reopen its "Gondanglipura" mills. But since it preferred that the farmers raise cane and the refined sugar be split between them and the mill on a 50:50 basis, whereas the farmers preferred to rent out their lands to the mill, and the regional government demanded half of the company's capital stock, negotiations broke down the next year. Since smallholder cane production was increasing, however, later in 1952 a commission decided that the regional government would build a new mill for such cane.<sup>25</sup> The new mill became such an issue among the political parties in the Jogjakarta regional assembly that Sultan Hamengkoe Boewono early in 1955 decided against the regional government's participation in the venture. After conferences with the Ministers of Agriculture and of Economic Affairs, he obtained the Central Government's agreement to finance the project and arranged for construction by an East German concern with experience in beet sugar mills.<sup>26</sup>

Whereas before the war only three of 84 sugar mills in operation were Indonesian-owned (those of the Surakarta princes), by 1955, when 54 were in operation, twelve were owned by companies domiciled in Indonesia, which accounted for about twenty percent of the production.<sup>27</sup>

---

25. R.I.: Daerah Istimewa Jogjakarta, pp. 507, 528-529; Antara, 31 Aug., 19 Sept., 22 Oct. 1952.

26. In 1956 the charter for P.T. "Madu Baru" was drawn up and approved, with the Sultan as President and Mr. R. SOEBAGJO Djojowidagdo, Chief of the Directorate of Estates in the Ministry of Agriculture, as the board director appointed by the Government. The company's semi-automatic mill at Padokan, "Madukismo", whose manager was drawn from "Tasikmadu", was to grind smallholder cane from an area served before the war by up to four former sugar mills. Its cost was estimated at Rp. 170 million. Interview with Selosoemardjan, Ithaca, 17 May 1958.

Although officially "opened" on 29 May 1958, the new mill was unable to commence grinding on schedule, as a result of which much of the first year's crop either spoiled or had to be shipped elsewhere! New York Times, 19 Aug. 1958!

27. Bank Industri Negara, op. cit., p. 53.

### Debates over Sugar Land Rentals

Continually after the transfer of sovereignty (as before) alien estates received their share of attention from Parliament. Sugar estates drew the attention of Parliament when Emergency Law No. 6 of 1951 came up for ratification.

At the beginning of 1950, the rental of lands from the rural population by sugar estates was still governed by the land rental laws of 1918 (as amended).<sup>28</sup> These provided that the respective Residen would set the minimum rental rate for lands in his region. Renting was to be voluntary. Although during the Dutch period, the farmers were often induced to accept rates which tended to be low, since 1945 the demands of farmers and such farmers organizations as the B.T.I. were very high, and the Residents being plagued with such demands were often unable to assure the sugar estates sufficient land. When this state of affairs continued into 1950 and negotiations between mill operators and farmers organizations were often fruitless, the Natsir Government decided to take remedial action, since it felt that the production of sugar was important to both the people and the state. Accordingly, early in 1951 it promulgated Emergency Law No. 6 to amend the 1918 land rental laws and centralize the authority to set land rental rates in the Minister of Interior (with the approval of the Minister of Agriculture). Largely as a consequence of this law, acreage under cultivation by the sugar estates rose sixty percent between 1950 and 1951.

Soon afterwards, the Cabinet submitted a bill to Parliament to ratify the emergency law. According to the Joint Report of Sections (Bahagian2), most

---

28. Cf. Letter of RIS Minister of Prosperity, dated 17 May 1950, in reply to Tauchid query, Pertanjaan Anggota dan Djawaban Pemerintah, II, 68-69." The land rental laws were the Land Lease Ordinance and (for the two principalities on Java) the "Vorstenlandsch Grondhuurreglement".

members approved the bill. Among the sundry anonymous views expressed was the periodical call (by two members) for nationalization of sugar mills. One suggestion was that virgin land should be provided to alien capital, not farmland of the people. One suggested that the Government consider the interests of the entrepreneurs as well as those of the farmers. Another--citing from the Government's "Clarification" to the emergency law that it was intended as a step in achieving a "community of interests" in the sugar industry--felt that this could not be reached between farmers and businessmen who allegedly looked only for profits. And others proposed that the minister first consult with farmers organizations before setting the rental rates.<sup>29</sup>

In reply to the joint report, Minister of Agrarian Affairs Gondokusumo wrote:

In the opinion of the Government, there is still a function for large enterprises operating with alien capital in the social and economic sectors of our country, and they will continue to have this function so long as national capital is still not organized so as to replace it. The Government is confident that national capital will be so organized within the shortest possible period.

...for the time being sugar and tobacco estates must still be operated by foreign capital. In view of this fact the Government does not agree...that it is impossible for a "community of interests" to be formed in the estate industry among capital, landowners, and labor. ...there must be cooperation between the groups possessing the three factors of production, free of the question of whether or not the proprietors are alien, so that each may share in the product....

While noting that estates provide a livelihood for thousands of workers and that their production was important to the community, he called the amendment to the land rental laws "one of the Government's efforts to control estates operated by foreign capital". Noting too that rental rates would be set after consultation with the Office of Farmers Movements (of the Ministry of Agriculture)

---

<sup>29</sup>. "Lapuran Gabungan Bahagian2 D.P.R.", 28 Nov. 1951, I.I. 1952, pp. 38-42.

which maintained close relations with farmer organizations, Minister Gondokusum declared that the Government could learn of the desires of the organizations without holding meetings which would be time-consuming with no guarantee of results--as had been the case in the past.<sup>30</sup>

The plenary session of Parliament debated the bill on 6 February 1952. Each of the half a dozen speakers, save one, gave qualified approval of the bill (committing the P.K.I., B.T.I. and Masjumi). A demand for a basic agrarian law was voiced by several. Mochammad TAUCHID (B.T.I.) surveyed the effects of the land rental laws and complained that their foundations, which benefited giant capital by victimizing the interests of the people, had not been removed by the amendment. Besides allowing estate production of sugar, he urged that the Government foster sugar production by the population.<sup>31</sup>

Two P.K.I. members, S. Utarjo and WARDI Kusnatalestra, attacked foreign capital. Utarjo rejected the Government's statement that estates benefitted the community, and asserted that they primarily benefitted their "colonial masters, centered in the Netherlands", alleging that compared to the profits transferred abroad the revenue which the government collected from them was relatively small. Wardi could not comprehend why the government felt that plantations still had to be operated by alien capital since the Revolution had proved that Indonesians could perform any task well. He felt that while the Government preached a national economy, it always protected the interests of alien monopoly capital, which could thrive only by exploiting the people. Wardi joined Aham Erningpradja in attacking the concept of a potential

---

30. I.P. 1952, pp. 43-44. Since the Sukiman cabinet created a separate ministry for agrarian affairs, the new minister rather than the Minister of Interior became responsible for the bill. Gondokusumo was a member of PIR.

31. R.P. 1952, pp. 317-324.



"community of interests". In Ahem's view there was a conflict of interests in the sugar industry, where the worker sought the highest possible wages (which influenced production costs), the farmer-landowner sought the highest possible rent, and the businessman sought the highest possible profit (and if his capital came from abroad, he had to remit as large profits as possible). In such a circumstance, he felt that the only community of interest was in the mill's continued operation. He anticipated a "harmonious" community of interest only if the mills were Indonesian state property, in which case the Government would use the profits in the interests of the community. To Wardi the "community of interests" proposed by the Government was simply that of the horse and coachman.<sup>32</sup>

The potentially deleterious effect on the individual farmer who rented out his land to the sugar estate drew a variety of reactions from Marxist members. Utarjo expressed a fear that unemployment would rise since there would be no industries to absorb them or that farmers who stayed and cultivated estate cane on their plots as sharecroppers would side with the mills in labor-management disputes. Ahem, who considered that the amendment favored the sugar mills, worried that the increased rental income which was being realized would cause the farmer to lose interest in productive work. Soemartojo (P.S.I.) also feared that high rentals would separate the farmer from his customary source of income (farming). He charged, moreover, that the Government while acknowledging that such farmers might work on sugar estates had failed either to make provisions on behalf of estate seasonal workers or to

---

<sup>32</sup>. R.P. 1952, pp. 331-332, 331-333, 336-337. Utarjo and Ahem were the ones who had insisted that the Government consult with farmers' organizations before setting rental rates. Cf. R.P. 1952, pp. 314-315, 317, 330.

promote smallholder agriculture.<sup>33</sup> In effect, there was some vague concern that foreign capital in the post-war period would possibly bring about a proletarianization of the farmers while causing them to become a rentier class with excess leisure!

SARIMIN Reksodihardjo, representing Minister Gondokoesoemo and himself for many years Chief of the Agrarian Affairs Section, presented the Government's reply to the views expressed in the debate. While declaring that the Government had to organize a national capital and personnel, which gradually could replace all alien operations and become the productive means for building the people's prosperity, he acknowledged that this task would take time." In the meantime the Government had to regulate the operation of alien business in order that they not exploit the wealth of the Indonesian state and people as in the past but bring as much prosperity as possible in accord with the spirit of Article 38 of the Constitution. Current regulations were constructed so that such businesses might obtain a small but commercially fair profit while the major portion would come to benefit the public and so that maximum transfer abroad would be avoided. He repeated that the law under consideration made an attainment of a community of interests possible since regulations precluded exploitation while facilitating a balance between the shares of proceeds for the land-owners and the capitalists. He suggested that the fact per se the businessmen in this case were aliens should not affect the matter, for there were many instances in other cases of conflicts of interests where only Indonesians were involved. Concerning discussions with farmers' organizations, Sarimin noted that some recent discussions did not go off well because some persons of obscure background apparently intentionally prolonged them so that

---

<sup>33</sup> R.P. 1952, pp. 312, 317, 327-329, 340-3411

no settlement was reached. Nevertheless, it had always been the Government's policy to confer with all organizations which possessed central officers, and it would continue to do so.<sup>34</sup>

Utarjo submitted an amendment which provided that the rates would be set by the Minister of Agrarian Affairs (with the approval of the Minister of Agriculture) after hearing the views of farmers organizations.<sup>35</sup> Sarimin replied that since in practice discussions were held with both farmers' organizations and the entrepreneurs, the Government would approve the amendment if the words "and (organizations of) entrepreneurs" were added in order that the regulation would be equitable. In this form the new statute ratifying the amended text of Emergency Law No. 6 of 1951 was approved by acclamation, except for the P.S.I. members present.<sup>36</sup>

#### Private Lands

Probably the one type of landholding concerning which the consensus favoring abolition was most complete was the institution of the "private lands" (tanah partikelir). Arising under the Dutch regime, it was also largely ended by the Dutch both during the three decades following 1910 and during the pre-federal government period in 1949. Consequently, whereas at the beginning of 1910 there were 293 private lands (183 urban and 110 rural) covering <sup>1,136,911</sup> /.

---

34. R.P. 1952, pp. 343-349. Sarimin was a member of the P.N.I.

35. I.P. 1952, p. 52. Co-sponsors of the Utarjo amendment were Tauchid, Abulhajat (Progresif), Wardi, and Abdurochman Wangsadikarta (Partai Tani Indonesia).

36. R.P. 1952, pp. 350-354. Utarjo's parting remark was a hope that the Government would give the farmers' representatives an opportunity to have a greater voice than that of business representatives "in order to get a balance of voices!" (sic)

Because Minister Gondokusumo died on 6 March, the new statute was not immediately put into effect. In the Wilopo Cabinet, where the Minister of Interior again became the responsible cabinet member (since the Agrarian Affairs portfolio was abolished), it was promulgated on 8 August 1952 as Statute No. 6 of 1952.

hectares on Java, by the time of the transfer of sovereignty 142 private lands (109 urban and 33 rural) covering only 29,323 hectares remained.<sup>37</sup> These figures suggest that it was relatively simpler to repurchase the huge rural or "agrarian" lands (usually from corporations) than the "usually small urban plots (usually owned by individuals or families).

During the RIS period, the Government continued buying back agrarian private lands.<sup>38</sup> During 1951, the N.V. Javasche Particuliere Landerijen Mij. (which had been the Government's repurchasing agency in the thirties) was liquidated,<sup>39</sup> and for the first time in twenty years some urban private lands were bought back.

Lands selected for early repurchase were those whose occupants had complained about burdensome payments or which were needed by the government for public works or low-cost housing. In general, the repurchases followed compensation agreements negotiated between the Government and owners in accordance with existing regulations. However, after ninety-six percent of all private lands had been repurchased in this manner, three Chinese owners of seven private lands covering 1618 hectares in the city of Djakarta rejected the Government's compensation offer. The Government, as required by law (in order to get a court ruling on the amount of compensation), then had to have a statute passed stating that these private lands needed to be returned to the State.<sup>40</sup>

---

37. Annex to statement by Minister of Interior Mohammad Roem, 13 Feb., I.P. 1953, pp. 183-187.

38. Cf. letter of Minister of Interior Agung of 29 July 1950 in reply to Tauchid query, Pertanyaan Anggota dan Jawaban Pemerintah, II, 41-44.

39. Government statement, 9 May, I.P. 1952, p. 251.

40. Min. Roem statement, 13 Feb., I.P. 1953, p. 180.

Parliament on 18 February 1953 quickly approved the bill authorizing in the public interest the repurchase of the seven Djakarta private lands. Virtually all speakers favored the bill, although many of them thought that it did not go far enough and that a bill for the return of all remaining private lands ought to have been submitted.<sup>41</sup>

Some idea of the ethnic and legal variation among the private-land holders at the start of 1953 may be gleaned from the following table.

Table 36: Private-Land Ownership on Java by Ethnic and Legal Categories, 1953

<u>No. of lands</u>	<u>Legal form</u>	<u>Ethnic group</u>	<u>Remarks</u>
7	Corporation	Chinese	Not including estates
7	"	Dutch	"
1	"	Arab	"
27	"	Unspecified	" ; mostly realty companies
7	"	"	Estates (some Chinese, some Dutch)
1	Trading company	Arab	Unincorporated
19	Misc. organization	Chinese	Social, burial, etc.
3	"	Arab	"
2	"	Indonesian	"
1	"	Dutch	"
29	Private persons	Chinese	
13	"	Arab	
4	"	Dutch	
2	"	Indonesian	
2	"	Unknown	One appears Slavic
5	Unspecified		In process of repurchase

Source: Ministry of Interior

At that time the largest remaining private-land holder was the Sing Gwan Lipkie foundation, with 5,009 hectares. The next seven largest holders were also Chinese.<sup>42</sup>

<sup>41</sup> I.P. 1953, pp. 172-188; see "Undang-undang No. 6/1953" and its Clarification.

<sup>42</sup> Annex to Min. Roem statement, I.P. 1953, pp. 183-187. These Chinese landholders included two families, one cemetery association, and three estates (the largest of which was N.V. Cultuur Mij. "Ketanggungan West" with 2632 ha.). The ninth largest property was the old Dutch sugar estate, N.V. Cultuur Mij. "Kedawung-Kawisredjo".



Although the Indonesianization of private lands in most cases meant that the Indonesian residents were given hak milik rights to the plots where they resided, this was not the case in certain urban lands which the cities of Batavia, Semarang, and Surabaya had purchased. In several instances the municipality had become the landlord and continued to collect the rents.<sup>43</sup>

In May 1952 the Wilopo Cabinet announced a four-year plan for buying up the remaining private lands.<sup>44</sup> However, budgetary difficulties compelled the Government to cut its allocation for repurchases in 1953 to only forty percent of the amount originally planned, and by 1954 the position of the State's finances had deteriorated so badly that the private-land repurchase program was temporarily shelved. The status of the program at the time of the elections appears in the following table.

Table 37: Repurchases of Private Lands by Indonesian Governments, 1950-1955

Year	Agrarian lands		Urban lands		Compensation
	Number	Area (ha.)	Number	Area (ha.)	
1950	5	6,081	--	--	Rp. 703,750
1951	--	--	3	362	3,135,927
1952	2	1,796	2	204	7,364,460
1953	--	--	4	2,356.9	16,086,787
1954	--	--	1	798	2,008,180
1955	--	--	--	--	--
Total	7	7,877	10	3,720.9	Rp. 29,299,104
Remaining	26	14,353	99	3,261.1	

Source: Ministry of Interior

#### Ahem Erningpradja Motions

Throughout virtually the entire period under review, there recurred polit-

<sup>43</sup>. I.P. 1953, pp. 178, 181. Zainul Arifin (Nahdlatul Ulama) protested against this system of municipality landlords.

<sup>44</sup>. Min. Roem statement, 18 Feb., I.P. 1953, p. 188.

In the latter half of 1955 Mr. Jusuf Wibisono submitted a motion calling for the nationalization of the remaining private lands. The following year a bill was submitted to Parliament for abolishing private lands.

ical disputes involving alien upland estates, which were principally Dutch-owned. In many of the estate areas which had temporarily returned to Dutch control, a special organization of estate guards, the Ondernemingswacht, had been set up by Decree of 11 December 1948 since there was a shortage of government police. These guards were frequently used to evict squatters and so came to be considered by the population as a symbol of colonialism. Many of their members, moreover, allegedly had criminal records and collaborated with the guerrillas. Thus, in general they were an unpopular lot," but after the transfer of sovereignty, they still remained. Considering that there was no need for maintaining the estate guards since the State Police could keep peace and order, the RIS Cabinet on 18 April 1950 decided that they should be liquidated, and promulgated this decision by Presidential Decree No. 178 of 22 May.

On 15 June, somewhat belatedly, Ahem Erningpradja (of Sarbupri), at the request of his union, submitted to the RIS House of Representatives a draft motion calling for the liquidation of the Ondernemingswacht. However, when the proposal appeared on the agenda eight days later, Chairman Sartono read a letter from Minister of Interior Agung citing the presidential decree, and discussion of the motion was postponed.<sup>45</sup>

After the transfer of sovereignty, the time appeared ripe for labor strikes on plantations as well as elsewhere. On the one hand most large enterprises were busy in rehabilitation projects and anxious to keep costs at a minimum, and it is not improbable that many of their managers hoped that wages

---

<sup>45</sup> I.P. 1950, pp. 265-266, 270. Co-signers of the motion proposal were K. Werdojo, Iwa Kusuma Sumantri, Jusuf Wibisono, and Yap Tjwan Bing.

In reply to Abdullah Jusuf's recommendation that the estate guards be liquidated, Minister Agung on 5 August explained that their disarming and rehabilitation was then taking place. Pertanjaan Anggota dan Djawaban Pemerintah, II, 47-50.

The next year another vestige of the Dutch return was liquidated when the C.V.O. (formed in 1947) was terminated by Statute No. 21 of 1951.

would be kept at a relatively low level. On the other hand, many workers, possibly anticipating the millenium after complete independence had been maintained and with the compulsions of austerity during the revolution now removed, demanded major rises in wages. It is not improbable, too, that many Marxist politicians who had come to head labor unions hoped to force out alien operations by demanding huge wage increases while restricting labor productivity.

The stage was thus set in mid-1950 for what was to become the country's largest strike in its history up to then. Sarbupri, claiming to represent upland estate workers, submitted demands for wage increases and threatened to strike unless they were accepted. The government-owned P.P.N. approved the wage demands for its estates, but the Algemeen Landbouw Syndicaat and affiliates representing the upland estates on Java and those in western and southern Sumatra refused to negotiate unless Sarbupri revoked its pending strike order. The strike, affecting a reported 700,000 workers, began on 20 August, having been postponed until after the Unitary State had been created. Outgoing RIS Minister of Labor Wilopo criticized A.L.S. for not accepting a wage rise, while announcing that he would do everything possible to end the dispute quickly in the interests of the state.<sup>46</sup>

But a fortnight later, when the Natsir Cabinet was installed, the strike still had not been settled. In Point 4 of the new cabinet's program was mentioned the goal of achieving concord between labor and management. In explaining his new program to the new Parliament on 21 September, "Prime Minister Natsir noted that a healthy working atmosphere between labor and mangement was

---

46. Cf. "Pemogokan SARBUPRI", Ichisar Indonesia Sepekan (Djakarta), 21 Aug. 1950. The upland estates for perennials on Java were represented by the A.L.S.; the tobacco estates in Besuki, East Java, by the Bond van Eigenaren van Besoekische Tabaksondernemingen (BEBTO); and the estates in west and south Sumatra, by Z.W.S.S.

essential to reconstruction in the state.<sup>47</sup>

In the meantime Ahem Erningpradja, Deputy General Chairman of Sarbupri and a member of the new Parliament, drafted another motion which cited articles 26 (3) and 28 of the Constitution and criticized "large alien capital" for taking a stand in the Sarbupri strike which was injurious to the people and state. The motion urged the Government:

- (1) to move quickly to end strained relations between labor and "large alien capital" in general by setting a proper minimum wage, and in the Sarbupri strike question, by fixing a minimum wage along the lines of the Sarbupri labor contract with the Government; and
- (2) together with labor representatives, to make labor regulations which can guarantee proper working relations and a distribution of profits on the basis of equal value between manpower and capital, in order "that efforts to increase production for the prosperity of the majority of the people can be carried out."<sup>48</sup>

A provisional settlement was made and the strike suspended on 10 September, before the motion had been debated in Parliament. Accordingly, the text was revised somewhat. One of the factors listed in its preamble was the inability of large alien capital thus far to free itself from colonial attitudes and to adjust itself to new conditions. The clause referring to Sarbupri in part (1) of the body of the motion was omitted, and it was urged that the minimum wage be set in accord with the promise in Article 28 of the Constitution.<sup>49</sup>

Debate on the Ahem Erningpradja motion in Parliament opened on 23 September and continued on the twenty-fifth. Communist speakers attacked foreign capital

---

<sup>47</sup>. R.P. 1950, C 3 p. 360.

<sup>48</sup>. I.P. 1950, p. 401. Co-sponsors of the motion were Werdojo, Asrarudin, Abulhajjat, (all of Front Buruh), Siauw (non-party), Mr. A.Z. Abidin (P.S.I.), and Tambunan (Parkindo).

<sup>49</sup>. I.P. 1950, p. 416.

and called the K.T.C. Agreement its tool.<sup>50</sup> However, Dr. Djafar Siroer DIAPANI (S.K.I.) and MUSIRIN Sosrosubroto (P.K.I.) thought the motion should be directed against all large capital, national as well as alien, and Minister of Labor Pandji SOEROSO saw no reason why domestic large capital should be considered different from alien capital in this matter.<sup>51</sup> Ahem and Soedijono criticized the government for being neutral in the struggle between "national labor" and giant foreign capital, and the latter implied the government was siding with capital.<sup>52</sup> To this Minister Soeroso replied that the Government was not neutral in labor-management disputes if it felt that social justice was not being guaranteed.<sup>53</sup>

S.M. Abidin (Partai Buruh) and Koesnan (P.N.I.) announced that their factions approved the motion, the latter faction approving on the basis of "collectivism" or "marhaenism".<sup>54</sup> On the other hand, Frits LAOH (P.N.I.-Merdeka) said the Government must be democratic and help raise the livelihood of all labor (not just Sarbupri), and that the wants of the entrepreneur and worker were essentially the same--happiness, prosperity, and welfare.<sup>55</sup>

---

50. See speeches by SOEDIJONO Djogoprajitno (Partai Murba), Dr. ADJIDARNO Djokronegoro (B.T.I.), Mr. Luat Diregar ("People's Sovereignty" faction), and Achmad Soemadi (P.K.I.), I.P. 1950, pp. 545-550, 565-581.

51. I.P. 1950, pp. 492-495, 581-588, 632-635.

52. I.P. 1950, pp. 474, 545ff.

53. I.P. 1950, pp. 597ff.

54. I.P. 1950, pp. 588-595. Abidin considered 8% a fair return to entrepreneurs and felt that surplus profits should be distributed among the employees, "nature", the capitalists, and the managers.

Koesnan declared that since neither alien nor domestic large capital would on its own accord create good working relations, the Government had to introduce legislation to protect labor.

55. I.P. 1950, pp. 562-565.



Machmud L. LATJUBA (Masjumi) and Kasimo opposed the motion for favoring labor over the entire community. Although Soeroso announced that the government did not feel that the motion was necessary, it nevertheless passed 74 to 33, with support from three parties with members in the Cabinet.<sup>56</sup>

On 23 October, a wage agreement was signed between Sarbupri and the A.L.S. group, and two days later the Natsir Cabinet received a vote of confidence at the end of the long debate over its program.

#### East Sumatra Land Problems <sup>57</sup>

In every estate region of Java and Sumatra there were problems associated with the restoration of estates to their original proprietors. However, the question was most complex in East Sumatra karesidenan, where some of the factors aggravating the situation were:

(1) the nature of the landholdings: Most estates were on agricultural concessions which encompassed already existing villages (instead of on erfpachts covering virtually unoccupied land). The concessions had provided that the villagers would be allowed four bouw per family of land to cultivate (tanah penunggu) and land for village expansion. The tobacco estates in Langkat and Deli-Serdang kabupatens, which possessed some extremely fertile soils, practiced shifting cultivation, planting tobacco on the same plots only once in a cycle of eight or nine years. By 1950, however, hardly more than 2.5 percent of the tobacco estate concessions were being cultivated by the estates.<sup>58</sup>

---

56. I.P. 1950, p. 635. (Viz., Parkindo, P. S. I., and P. S. I. I.)

57. See RI:PSU, pp. 536-558; Mochammad Tauchid speech before Parliament, 22 May, I.P. 1953, pp. 570-572; Tobing, op.cit., pp. 53-70.

58. RI:PSU, pp. 542-543; Tauchid speech, op. cit., p. 570. The tobacco concessions covered 261,000 hectares. The most acreage ever planted was approximately 26,000 ha. in 1927 (10 percent). By 1940 cultivation had dropped to 17,864 ha. (6.8%), and in 1950 only 6992 ha. (2.7%) was planted. In the following years the acreage fell even further, partly because of the continued problem of land occupation and partly because of labor problems.

The indigenous villagers in such regions were allowed to plant foodstuffs on fallow tobacco plots, the so-called tanah djaluran, in lieu of permanent tanah penunggu.

(2) The complexity of the population: Unlike other areas where the problem of squatters was simply one of dealing with a relatively homogeneous local group, in East Sumatra at least three distinct categories of asli (indigenous) Indonesians were involved: (a) the relatively indigenous farming population of coastal Malays and Simelungun and Karo Bataks--the so-called rakjat penunggu, who had rights to tanah penunggu (tanah djaluran); (b) the Javanese who had arrived as estate contract labor before World War II; and (c) Sumatran farmers from Tapanuli (principally the Toba Bataks) and Atjeh, who migrated to East Sumatra after the transfer of sovereignty. There were also numerous persons of Chinese ancestry, including many totoks who had come before World War II as estate labor and their descendants--a number of whom might have become Indonesian citizens in the passive manner; in addition there were illegal immigrants who after World War II had crossed over from Malaya and tried to submerge themselves among the earlier Chinese residents by claiming that they--like many of the earlier arrivals--had lost their passports during the turmoil of the war and revolution. Since East Sumatra was a food deficit area, many of the Javanese and Chinese estate workers had been induced to maintain vegetable gardens to supplement their diet as they worked on the estates. Others had ambitions to cease working as estate labor and to become farmers in the immediate vicinity, although virtually no arable land outside of the estate and village farmlands was available.

(3) Political rivalries: Not only were there the political parties and their associated farmers and labor organizations found also in other estate

areas, but correlated to the landholding and population factors and thus to geography were further political differences. The only constituent state on former Republik Indonesia territory throughout the period of RIS was Negara Sumatera Timur--N.S.T.--(State of East Sumatra), which was supported by many of the actually indigenous East Sumatrans and which attempted to follow the letter of the law in regard to the restoration of alien estates. On the other hand probably the majority of the politically active in East Sumatra (within the karesidenan) were violently opposed to the N.S.T. and considered it a Dutch puppet, and many of their leaders launched campaigns designed to embarrass and obstruct the N.S.T. government and its estate policy. Since East Sumatra, unlike other major estate areas, had a sizeable Chinese population and since it was very accessible from Malaya, it was possible for nationals of a new foreign power, the People's Republic of China, to play a role in the estate problems.

The immediate origins of the East Sumatra land problem were rooted in the forties. Many of the "squatters" (a number of whom had legitimately worked parcels of estate land during the Japanese occupation and Revolution) had been removed from estates during the Dutch occupation and N.S.T. period, but after the formation of RIS most of them streamed back.<sup>59</sup> During 1949 a number of estates in N.S.T. had reached an agreement with their laborers by which the estates instead of providing a food allowance in a time of fluctuating prices undertook to provide the workers with 1500 square meters of land apiece for a truck garden for the needs of their immediate families. However, in not a few cases the arrangement was abused, and estate workers often expanded their truck gardens without permission to as much as 5000 square meters

---

<sup>59</sup>. Tauchid speech, op.cit., p. 571.

(a half hectare), neglected their plantation work in order to devote themselves to their gardens, and sold their vegetables to Chinese produce merchants at prices cheaper than those of the local farmers. This state of affairs antagonized many of the really indigenous farmers, who "retaliated" often by themselves occupying estate lands or expanding their farms there.<sup>60</sup>

After the transfer of sovereignty, farmers organizations--especially the ultra-nationalist and communist ones--in their propaganda campaign to bring about the collapse of the N.S.T. called on the population to "nationalize alien property", a slogan which had been much used during the Revolution. Farmers were assured that if the Dutch were driven off, their estates would be divided among the settlers. Consequently, settlements were encouraged to form not only on the periphery of the estates but also some far inside, especially where stands of old palm and rubber trees had earlier been uprooted. This interior squatting had a crippling effect on estate operations. The campaign was not limited to the estate area of East Sumatra. "Land agents" representing the more left-wing farmers organizations circulated throughout adjacent parts of Atjeh and Tanah Karo, but especially Tapanuli, and induced farmers to sell their land and buy beautiful farmlands in Deli from the "agents", who, of course, had no title to the property. Since few Batak farmers had very fertile farms, following a long drought many began moving onto the Deli tobacco lands.<sup>61</sup>

In an effort to halt the illegal land grabbing, Colonel Maludin SIMBOLON, the Military Governor of North Sumatra, and Tengku Dr. MANSUR, the "Wali

---

60. Tobing, op. cit., pp. 60-61, 65-66.

61. Tauchid speech, op. cit.; Tobing, op. cit., pp. 57-59; RI:PSU, p. 552; Mohd. Ersat Trunodjojo speech, 22 May, I.P. 1953, p. 576.

Negara" of East Sumatra, issued a joint proclamation on 22 May 1950 threatening persons who illegally occupied estate land with prosecution and seizure of their belongings. But the proclamation was not successful in deterring further squatting.<sup>62</sup>

In preparation for the dissolution of N.S.T. into the Unitary Republic, a Unitary State Preparatory Commission for East Sumatra was set up on 14 July 1950 by decree of RIS Minister of Interior Agung. On the twentieth, the Commission, headed by Sarimin Reksodihardjo, announced its Urgency Program concerning preparations for bringing the N.S.T. into the Unitary Republic. Article 4 of the plan concerned action pertaining to agrarian and economic problems:

1. Determine the principles for changing the system of land use throughout East Sumatra in an effort to end the present social and economic defects and to achieve the people's welfare in the future, without forgetting the important position of the estate companies within the sphere of our State's economic policy;

2. Plan the distribution, to farmers needing them, of land which have been and will be received back from estates! This should be done in a fair and rational manner, taking into consideration the principles referred to in paragraph 1;

3. Urge estate operators to be prepared to use part of their profits in the public interest, e.g. by assisting in "welfare projects", such as draining marshes which may be made into sawah, developing irrigation, setting up social projects for farmers who are given land far from their place of residence, etc!.

For these purposes a commission is to be formed consisting of experts from government and business circles and farmer and labor organizations.<sup>63</sup>

---

62. RI:PSU, pp. 552-553; Tauchid, op. cit.; Tobing, op. cit., p. 59.

63. RI:PSU, pp. 381-383. In addition to Sarimin (P.N.I. and Chief of the Agrarian Section in the Ministry of Interior) the Preparatory Commission (P.P. N.-K.S.T.) included Mr. Mohammad JUSUF (mayor of Medan in 1946, not to be confused with the reviver of the P.K.I. on Java in 1945), Mr. Soetan Muhammad AMIN (first Governor for North Sumatra), and Radja Kaliamsjah SINAGA (deputy Wali Negara of East Sumatra, who withdrew from the commission).



During September 1950 Sarimin, by then Acting Governor of North Sumatra and representing the Central Government, reached an agreement in principle with the Deli Plantersvereniging, the association of the five Dutch tobacco estate companies which had concessions covering 255,000 hectares. The D. P. V. indicated its readiness to renounce its rights to 130,000 ha. of its concession lands, and in return the Government agreed to grant proprietary rights (hak benda) for a maximum of thirty years in place of the concession over the remaining 125,000 ha. The bulk of the 130,000 ha. which the Government was to acquire, it intended to distribute to farmers who had settled on estate land.

Abdul Hakim, who as a senior official of the Ministry of Interior was attached to Sarimin's office, prepared a plan of work which involved a central land affairs commission at Medan and branch commissions in the kabupatens and which stipulated principles for the system of land use throughout East Sumatra. The plan, subsequently known as the "Sarimin Plan", was completed on 26 September. Two days later, Acting Governor Sarimin issued a proclamation calling on the people to stop taking over lands arbitrarily.<sup>64</sup>

The Panitia Urusan Tanah Pertanian (P.U.T.P.--Agricultural Land Affairs Commission) was formed in October under MUNAR Sastro Hamidjojo, the new government Coordinator for East Sumatra. Representatives of certain farmers' organizations, among which were those who had a vested interest in the illegal occupations (including sponsors of "land agents"), and of Sarbupri were given seats on the commission. However, for various reasons not the least of which was a lack of funds, the commission was able to accomplish little. It obtained a tentative offer from AVROS to give up approximately

---

<sup>64</sup>. RI:PSU, p. 553; Tauchid, op. cit. Hakim (Masjumi) had been the last Deputy Prime Minister of the Republic of Indonesia at Jogjakarta.

200,000 ha. of unused land from concessions of member estates, but later AVROS decided to wait until the Government had formulated a new agrarian law. By proclamation of 2 January 1951, Coordinator Munar decreed the formation of the branch commissions, with the task of examining the lands offered by the D.P.V. and to begin at once distributing them to persons who were entitled to receive them according to government regulations. At the same time, the decree of Residen Djaär of 1 May 1947, which authorized the distribution on a temporary loan basis of some estate lands to persons needing it, was revoked.<sup>65</sup>

On 25 January 1951 Abdul Hakim was installed as Governor of the Province of North Sumatra. The P.U.T.P. and its branches ceased activities when the office of Government Coordinator for East Sumatra was abolished and land problems brought under the jurisdiction of the Agrarian Affairs Section of the Governor's Office. Rather than take action which might lack authority, the Governor felt that basic principles on agrarian affairs had first to be established by law through the Central Government.<sup>66</sup> Since most farmers were not organized and since most of the "farmers organizations" represented on the P.U.T.P. were Communist-controlled and thus hardly in a position to facilitate a land settlement that would be satisfactory to all the parties directly concerned, it is unlikely that Governor Hakim was enthusiastic about the ability of the P.U.T.P. to work properly.

That the new Sukiman-Suwirjo Cabinet might take some action in the land question was indicated by its program. Part of Point Two, which dealt with

---

<sup>65</sup> RI:PSU, pp. 409-410, 553-55. Geraktani, B.T.I., R.T.I., Sekata, Gabungan Persatuan Buruh Tani, and Gabungan Buruh Tani Tionghoa Sumatera Timur were farmers' organizations represented on the commission.

<sup>66</sup> Ibid., pp. 437, 555.

economic matters, announced that agrarian law would be revised in line with the interest of the farmer. Already a draft statute on the "Reorganization of Land Utilization in East Sumatra" had been drawn up, incorporating the principles being followed by the Government in that matter,<sup>67</sup> and although it was not promulgated, the Government began efforts to implement it. However, portending difficulties ahead was a report of the Agriculture Committee read in Parliament on 14 June 1951 calling for action in legalizing the settlements on concession land.<sup>68</sup>

Finally, in reply to Governor Hakim's request for a directive on action to be taken in the land question, the new Minister of Interior ISKAQ Tjokrohadisurjo on 28 June 1951 issued a decree authorizing provisional measures pending the promulgation of the draft law. The decree approved the arrangement with the D.P.V., while reserving for the government the right to add further

---

67. The draft law provided that the 860,000 ha. of concession land in East Sumatra would be divided into two parts. The estates would be guaranteed an area for a sufficient period and with sufficiently strong rights. On the other hand part of the concession land would be used for smallholder agriculture and members of the population would be given land with sufficiently broad property rights and other assistance in order that they might become prosperous farmers. Although the Central Government would supervise the implementation of the law, the regional government would be delegated broad authority for the actual implementation. Cf. Government Statement, 3 June, I.P. 1952, pp. 553-5.

Apparently the Government had second thoughts about submitting the draft "statute" immediately to Parliament for ratification, for subsequently it was referred to as a draft "emergency law". Despite the change in status, it was still not immediately promulgated.

68. Report read by Abdurochman Wangsadikarta (Chairman of Agriculture Committee), R.P. 1951, pp. 5065-5070. The inspection trip from which the report was drawn up had been made in November 1950 by Ahem Erningpradja and I.B.P. Manuaba (head of Petani, the P.N.I. farmers' affiliate).

An ex-Pesindo leader, Sarwono S. Soetardjo (who rejoined the P.K.I. a month later) proposed that such settlers be allowed to stay on these lands and that the state take over estate lands at the end of their concession or distribute portions among the population. Speech, 2 June, R.P. 1951, p. 4576.

conditions. It also authorized the Governor to determine which concession lands would be turned over to the state--with the approval of the tobacco companies concerned--to complete within three months the task of selecting these lands, and to undertake distribution of such lands to the farmers".

Following Minister Iskaq's decree, Governor Hakim on 15 August set up a Komisi Agraria Sumatera Timur (East Sumatra Agrarian Commission) headed by Munar, to advise on implementation of the decree. A Technical Committee of agricultural and cadastral experts examined the lands the D.P.V. was ready to give up and prepared a map which delimited the D.P.V. concession lands to be retained and those to be turned over to the State. Then in his directive on 28 September, the Governor of North Sumatra decreed that included in the lands to be returned to the State were strips 250 meters wide on either side of the two major highways through the tobacco concession region as well as sawah lands already in existence in the concessions, and lands of villages and towns plus some for their potential expansion. Strips fifty meters wide on the banks of rivers and land around strips had to remain wooded or be reforested by the estates for the purposes of checking erosion.<sup>69</sup>

To administer the actual distribution of land, the Kantor Penjelenggara Pembagian Tanah (K.P.P.T.) was established by decree of Minister of Interior Iskaq on 27 June in accord with the draft law on the reorganization of land

---

69. "Ketetapan Gubernur Propinsi Sumatera Utara No. 36/K/Agr.", 28 Sept. 1951; cf. "Iapuran Komisi Penindjauan masalah pembagian tanah di Sumatera Utara" (speech by Ersat Trunodjojo), 21 May, I.P. 1953, p. 535; Tauchid, op. cit. The Dewan Ekonomi dan Keuangan of the Central Government consented to allowing the D.P.V. to decide upon most of the lands it would need, in consideration of the fact that the tobacco estates were important to the State's finances.

The directive permitted tobacco estates to retain land along the highways where they already had buildings, roads, etc. It also provided that changes in designated lands could be made after discussion with the tobacco estate companies.

utilization. Residen Muda SIREGAR headed the new office, and Bupati Munar became his deputy. Effective in November, the regional government issued a "standfast" order, allowing old squatters working estate lands to remain where they were pending a settlement, but making any new squatting or expansion subject to prosecution.<sup>70</sup> On 29 December 1951 a detailed guide for carrying out the distribution of land was completed, then amended on 11 February 1952. This provided that settlers on the former concession lands would be screened. Those who were determined to be genuine farmers were to be offered one hectare of sawah (irrigated rice land) or two hectares of ladang (dry farm land) in the portions of the 130,000 ha. returned to the state. Rather than have the farmers take their old shacks along with them to the new settlement sites, the Government offered them each a Rp. 300 indemnification; it promised transportation to the new sites and preparation of the land there. Plantation workers, who were called "Buruh Tani Ladang" (B.T.L.--"Farm Laborers"),<sup>71</sup> were to be provided with 2000 square meters of land in the strips along the highway. The new farm sites for the respective settlers were to be determined through drawing lots. In an effort to help establish a healthy group of independent farmers, the Government promised to grant ownership rights (hak milik) to those who had proved themselves through three harvests. The Government was to retain some supervision for an additional five years during which time the farmers

---

70. M. Yunan Nasution speech, 16 May, I.P. 1952, p. 383. This was the third standfast order issued in eighteen months".

71. Persons with monthly incomes under Rp. 300 were considered to be B.T.L.



could not mortgage or sell their land without government permission.<sup>72</sup>

Implementation of the land distribution program began on 15 March 1952 when the first drawing for farmlands took place at Ketjamatan Kwala (Kabupaten Langkat). Beginning in April, farmers were warned no longer to plant after the current crops were harvested because they would be moved. Out of 70,452 families occupying the former tobacco concession lands, it was determined that 30,915 families would have to be moved. By the end of February 1953, 22,289 families had drawn lots for new farm sites, and of this number, 9389 families had already settled on their new sites and 7987 families were then in the process of moving. Waiting to draw lots were 1291 families, while 6635 families refused to draw them, being opposed to the existing rules for land distribution.<sup>73</sup>

Although the great majority of farmers directly concerned were amenable to acquiring permanent land rights at a place other than where they were then illegally squatting, and many of them were satisfied with the moves that did take place, the land distribution program had more than its share of bugs.

---

72. Statement by Minister of Interior Roem to Parliament, 21 May, I.P. 1953, pp. 544-545; "Lapuran Komisi Penindjauan...", pp. 535-536; Tauchid, op. cit.; RI:PSU, p. 556. In principle all settlers, even those already on ex-concession land turned over to the State were to draw lots. These might determine which of several farmers on undersized farms would move and which would stay and acquire land from the others. It was also possible for settlers to remain on their undersized homesteads and receive additional plots elsewhere.

The rationale for the five years of Government supervision after hak milik had been granted was to prevent farmers from becoming victimized by the idjon system (the government promised that credits would be available) and to preclude persons from acting as farmers and then selling their gifts of land for speculative purposes.

73. RI:PSU, p. 556; MAIZIR Achmaddyn's speech before Parliament, 21 May, I.P. 1953, p. 543; "Lapuran Komisi Penindjauan...", p. 538. The huge majority (68,311) of the farming families on the concession land were "Indonesian nationals". Although the balance of two-thousand non-Indonesian national families was not identified, it may be assumed that these were mostly of Chinese extraction.

Rp. 25,000,000 had originally been budgeted for the program, but the steadily worsening position of the Republic's revenues necessitated that the allocation be reduced to Rp. 7,000,000, and during that first year only Rp. 3,000,000 was actually provided by the Government. The shortage of funds meant that some new sites were not cleared so thoroughly as some of the settlers would have wished, that there were delays in procuring transportation so that some farmers all ready to move had to wait around much longer than they had expected, and that compensation beyond Rp. 300 could not be offered even when farmers left behind substantial houses. With its own source of funds in jeopardy, the government was able to secure a commitment from the D.P.V. to contribute to the program.<sup>74</sup>

The situation--involving as it did--(1) moves off land legally recognized as the estate property of nationals of the former colonial power, and, (2) concentration of authority for carrying out the land distribution in the hands of a governor who was a member of the major liberal political party and for whose actions there was no regional legislative body to check--appeared to be an open invitation to radical political rivals to capitalize on it. Where there had been non-political complaints of farmers against moving and latent resentment against what appeared at times to be inflexibility on the part of the authorities, there were added threats against farmers who

---

<sup>74</sup> Cf. Roem, op. cit., p. 545; "Lapuran Komisi Penindjauan...", op. cit., p. 539.

Governor Hakim secured from the D.P.V. members a promise to contribute Rp. 2,000,000 for the needs of the farmers to be moved. (Cf. Art. 4 Sec. 3 of the P.P.N.K.S.T. Urgency Program)!" The money was to be used to build village halls, churches, mosques and other projects beyond the normal expenditures of the government. In February 1952 the first third of this sum was turned over to the governor. Statement by Minister Roem to Parliament, 22 May, I.P. 1953, p. 577.

On 11 September 1952, the D.P.V. was liquidated, as it merged into AVROS. Antara, 13 Sept. 1952."

intended to draw lots or who did not agree with certain political organizers. Farmers were warned that if they gave up the land which they were farming, they would be betraying the Revolution and enriching Dutch capitalists. Sites newly cleared and intended for resettlement were also illegally occupied. Such actions were complemented by demonstrations, press campaigns, resolutions and motions to Parliament and to other government offices.<sup>75</sup>

In the meanwhile the Wilopo Cabinet took office. In his explanation of Point 2-b of his cabinet's program which called for continuing efforts to change the agrarian system, Prime Minister Wilopo declared that the Government would protect damaged estates so that their pre-war productive capacity might be restored and would settle disputes between alien estates and the surrounding farming population on the broader basis of the interests of the state and nation.<sup>76</sup>

During the debates in Parliament over the program M. Yunan Nasution (Masjumi) applauded the Government's principle for settling such disputes. However, he urged quick distribution of land lest unwholesome political elements thrive on the issue. In reply to his request,<sup>77</sup> Mr. Wilopo provided the gist of the draft law to reorganize land utilization in East Sumatra, which specified that although the Central Government would oversee the implementation of the law, the regional (provincial) government would be given wide discretion in executing it.<sup>78</sup> This evoked the approval of Parliament

---

75. RI:PSU, p. 556-557; Tobing, op. cit., pp. 69-70; Roem statement, 22 May 1953, op. cit.; Tauchid speech, op. cit., p. 572; Antara, 28 July, 3 Oct. 1952

76. Statement, 9 May, I.P. 1952, pp. 249-251.

77. Speech, 16 May, I.P. 1952, pp. 382-383.

78. I.P. 1952, pp. 553-554; cf. note 67 supra.

member I. J. Kasimo (Katholik)--who was also Chief of the Department of Estates who expressed sympathy for the provincial government, which he said was squeezed between (1) those wanting the farmers to occupy as much estate land as possible and (2) the Central Government, which reportedly had not been providing it with sufficient backing.<sup>79</sup> However, Mohamad NUH (PIR from East Sumatra), noting that the truly indigenous residents had formerly been entitled to four hectares of concession land per household, warned that with a distribution of only two hectares the Government would not be able to raise the farmer into the middle class as it intended.<sup>80</sup> The Government stated in reply that no differentiation would be made involving the regional origin of the farmers concerned.<sup>81</sup>

Kasimo's remarks were prompted by an instruction to Governor Hakim sent on 26 May 1952 from the Ministry of Interior (signed by Secretary General Sumarman), which took note of some of the difficulties confronting the land distribution program and urged: (1) the removal of as few families as possible and--if that were really necessary--to not too distant sites which had been properly prepared; (2) greater flexibility in allocating new lands; and (3) revision of the manner of dividing settlers into farmers and farm-workers, so that anyone who was then farming could be classified as a farmer regardless of his earlier occupation.

Governor Hakim felt that this instruction only made his task more difficult, especially since it was immediately published in the newspapers

---

79. Speech, 6 June, I.P. 1952, p. 625.

80. Speech, 6 June, I.P. 1952, p. 620. Besides providing land, Nuh felt that planning and studies and agricultural technical assistance was necessary in order to make the farmers prosperous.

81. Keterangan dan Djawaban Pemerintah atas Program Kabinet Wilopo, (Jakarta: Kementerian Penerangan, 1952), p. 214.

and inferences were drawn that his earlier guide had been faulty; moreover, the instruction from Djakarta he felt had been based partly on some misinformation.<sup>82</sup> Subsequently the new Minister of Interior Roem examined the matter and issued a revised instruction.<sup>83</sup>

Feeling that forceful measures were required in places where its program was being obstructed, the K.P.P.T. advised that police assistance might be used and, where necessary, agitators be arrested. The estates began to clear land with bulldozers in areas which the government had consented that they retain, in preparation for the new tobacco crop. In some places where the farmers refused to give up their farms on schedule and to move, the clearing went ahead with police protection. At Sitjanggang (Kabupaten Langkat), where a demonstration was staged to stop the "pentraktoran" (lit. "tractoring", or "bulldozing"), a number of the demonstrators were forcibly thrown off the land by the police, and the lands of 130 families were cleared. Nevertheless, attempts were still made to occupy estate land cleared for the new crop. "Tractoring" became the new enemy in the minds of many farmers, and even those who were not required to move were influenced by the propaganda of political agitators into fearing that their lands would be next to suffer that fate.<sup>84</sup> Since earlier efforts to develop a pineapple fiber and rami plantation and industry on some of the concession land had been thwarted through repeated

---

<sup>82</sup>. "Laporan Komisi Penindjauan...", pp. 536-537.

<sup>83</sup>. Roem statement, 21 May 1953, op. cit. p. 544.

<sup>84</sup>. "Laporan Komisi Penindjauan...", p. 540; Roem statement, 21 May 1953, op. cit., p. 545. At two other villages the farmlands of as many dissenting farmers as those at Sitjanggang were bulldozed.



illegal squatting on newly cleared land,<sup>85</sup> it is not improbable that some of the political forces behind strong opposition to clearing land for tobacco cultivation also hoped to force the cessation of tobacco estate operations.

Under these circumstances the Sekretariat Bersama Organisasi Tani untuk Menyelesaikan Soal Tanah Sumatera Utara (Joint Secretariat of Farmers' Organizations for Solving the Land Problem of NorthhSumatra) was set up by those farmers' organizations which were led by Communists and left-wing members of the P.N.I. (who controlled that party's branch in East Sumatra)h Darman, Secretary General of the North Sumatra branch of Rukun Tani Indonesia (R.T.I.--<sup>farmers'</sup> Indonesian Peasants Club, the P.K.I./subsidiary), became chairman of the Joint Secretariat, and Mangarahon, officer in both the R.T.I. and the B.T.I. (whose North Sumatra branch head was a P.K.I. officer), became secretary. Sakti, Perti, and Petani were the other member organizations. The Joint Secretariat and its member organizations continued demanding that the old P.U.T.P. and its branches be reactivated and that they be given seats on it. They sought audiences with Governor Hakim, who refused to listen to their demands. Then under their auspices a conference of North Sumatran farmers was held through 13 January 1953, which voted a lack of confidence in the policy carried out by Governor Hakim. One of the participating organizations was the Gabungan Buruh Tani Tionghoa Sumatera Timur (Chinese Farm-Laborers' Association of East Sumatra). Subsequently the police commissioner at Medan charged that Rp. 10,000 had been contributed by Chinese towards the expenses

<sup>85</sup> Tobing, op. cit., pp. 61-62. For a new factory for its planned fiber estate, the Deli Maatschappij decided to invest Neth. f. 10 million, which would have been one of the few new foreign investments in Indonesia. Although the plan had been approved by the RIS Government, as one parcel of land after another was cleared by the company, squatters moved on, while the government stood by helplessly. As a consequence the company was forced to cancel its plans.

of the conference, but this the Joint Secretariat denied.<sup>86</sup>

It was in this explosive atmosphere that the Tandjung Morawa Incident occurred.

#### Tandjung Morawa Incident

In line with the 1949 estate-laborer arrangement for vegetable gardens, during the N.S.T. period several totok Chinese workers on an estate of the Senembah Maatschappij, who had allegedly arrived in the region as contract coolies during the inter-war period, were moved with their families from one part of the concession to plots alongside the highway between Kilometer Posts 24 and 25 in the ketjamatan of Tandjung Morawa (Kabupaten Deli-Serdang). Although at the time of the move the Chinese estate laborers had submitted a list of eight demands to the estate company (concerning the plots, provision of building materials, foodstuffs for three months, etc.), only a few were accepted.<sup>87</sup>

By 1952 there were ten such families of Chinese estate workers at that site, part of Kampong Perdamaian (Village of Peace). But instead of the allowable total acreage of 1.5 hectares according to the 1949 arrangement, or even two hectares allowable under the December 1951 guide, the gardens of the Chinese laborers covered six hectares. These truck gardens, lying as they

---

86. "Laporan Komisi Penindjauan...", p. 539; Abdullah Jusuf speech, 21 May, I.P. 1953, p. 542; Sawrono S. Sutardjo speech, 21 May, I.P. 1953, p. 554; cf. RI:PSU, pp. 510-511.

The Joint Secretariat was largely a regional counterpart of the P.K.I.-sponsored ~~Peasants~~ <sup>Peasants</sup> Front, which was in the process of being established.

87. S. Sardjono speech, 22 May, I.P. 1953, p. 575. A ketjamatan is roughly equivalent to a township.

did within 250 meters of the highway, were designated to be relinquished by the estate.<sup>88</sup>

In mid-June 1952, three months after the resettlement program had gotten under way, the agriculture office of the kabupaten applied to obtain five hectares for an agricultural experimental farm and the inland fisheries office applied for one hectare to be made into a fish hatchery, both part of a model village to be built in Ketjamatan Tandjung Morawa. It was recommended that land lying between Kilometer ~~Posts~~ 24 and 25 be used for these purposes. Accordingly, local officials visited the site on 15 July and found it suitable for the proposed projects. Seeing that the Chinese settlers were about to plant rice--this was three months after the general warning not to plant new crops--the officials told them not to plant again after the rice was harvested. The rice having been harvested, and the agriculture office having asked that the land be made available at once, the ketjamatan head visited the settlers on 17 December and reminded them that they were no longer permitted to plant anything. The settlers were informed that land was being readied for them at either of two places in adjacent ketjamatan and that each family was to get a half hectare to rent. The offer was considered a fair one because as squatter (at least beyond the 1500 square meters earlier assigned) they would be occupying land with a legal status whereas formerly they had none. As aliens they were not entitled eventually to acquire land "with hak milik"; however, they would be allowed to rent land.<sup>89</sup>

---

<sup>88</sup>. Roem statement, 21 May 1953, op. cit., pp. 545-547. The half hectare per family seems to have been a compromise between the 1" or 2 ha. provided for Indonesian farmers (sawah or ladang, respectively) and the 0.2 ha. provided for general estate laborers.

<sup>89</sup>. Ibid.

The settlers at Kampong Perdamaian were organized by the Chinese Farm-Laborers Union, an officer of which made a complaint at the time of the visit on 17 December and announced that a written request would be submitted. On 26 January 1953, the union's Tandjung Morawa branch sent a letter to the ketjamatan head on behalf of the ten Chinese families, indicating that they would be prepared to move if eight requests were met. Pending a decision they would go on working the lands. And so, they planted soybeans. The eight "requests"--a revision of those submitted to the Senembah Mij. a few years earlier--included demands that the new lands be cleared by tractor and ready for planting, that each family be granted permanent rights to at least one hectare, that the Government build new houses and a school at the new site, that the Government first allow them to harvest their (newly planted) crops before moving, and that the Government provide them with provisions for at least three months. After another meeting with the settlers on 4 February, attended by the union's ketjamatan branch chairman, the head of the ketjamatan government offered to show them around a third possible new site, but the offer was not accepted. Accordingly, he rejected the eight demands and ordered that the ten Chinese farmers vacate and clear off the land they were occupying by 15 February.<sup>90</sup>

Still the ten families did not move. Considering their action an affront to the prestige of the government and since the agriculture office was pressing to obtain the land, the ketjamatan head brought along the local police chief on 5 March, but they could still not get the settlers to agree to move. Nevertheless, it was decided to go ahead and clear the site for the agricultural

---

90. Ibid.; "Laporan Komisi Penindjauan...", pp. 537-538; Sardjono, op. cit.

experimental farm on 14 March.<sup>91</sup>

In the meantime, the local B.T.I., R.T.I., and the Chinese Farm-Laborers Union began to make plans for a big demonstration, and they organized squads for such purposes as operating a public kitchen, maintaining guards, for strategy, and for transportation. On Friday, the thirteenth, a demonstration was held around the small bridge connecting the land in dispute with the highway. The next day, when the bulldozer arrived and attempted to cross the bridge, about a hundred Chinese farmers reportedly blocked its way, while many Indonesian farmers streamed over the disputed land showing signs of giving moral support to the Chinese. Many of the Indonesians were farmers on strips along the highway designated to be sub-divided for estate laborers, who had been led to believe that this attempted eviction and clearing of the land occupied by the ten alien families was merely a prelude to further such action towards their own farms--all allegedly because of greedy Dutch estate operators. In view of the heated atmosphere and the lack of police protection, the clearing was postponed, and the tractor parked along the highway.<sup>92</sup>

The local authorities were determined to proceed with the clearing of the lands where the ten Chinese families were squatting. Accordingly, they and police officers arrived on the scene on the morning of the sixteenth. Since the demonstration had continued over the intervening days, the number of armed policemen was raised from twelve to sixty. In the face of taunts from the Chinese, the bulldozer escorted by the police began to make its way across the bridge. One policeman carrying an automatic weapon went ahead to order

---

91. Roem statement, 21 May 1953, op. cit., pp. 546-5475

92. Ibid.; Maizir Achmaddyn's speech, 11 Apr., I.P. 1953, p. 495; "Laporan Komisi Penindjauan...", p. 542; S. Sardjono, op. cit.



the Chinese demonstrators back. Reportedly one of their leaders yelled "Come on! Let's attack!", and rushed the policeman, grabbing his weapon and knocking him over. In the process all of the two dozen rounds in the magazine were discharged, killing four Chinese demonstrators and one Indonesian and injuring eighteen others. Order was restored only after the other policemen shot into the air causing the demonstrators to retreat.<sup>93</sup>

The ten Chinese families then moved, and the bulldozer cleared the six hectares without further disturbance. During the subsequent police investigation, thirty-seven persons were arrested--mostly Chinese totoks who had no valid immigration papers--on charges of violating those sections of the criminal code concerned with forcibly obstructing the public authorities from carrying out their duties.<sup>94</sup>

#### The "North Sumatra Land Distribution Problem" before Parliament

Reaction to the Tandjung Morawa Incident was immediate. The Ministry of Interior sent a team headed by Djamu Ismadi to the scene to investigate the matter,<sup>95</sup> and the embassy of the People's Republic of China sent a consul.<sup>96</sup>

Investigation by these two parties reflected the apparent fact that the incident had basically resulted from a dispute between a handful of alien Chinese former plantation workers who refused to move from land they were temporarily allowed to farm, and the local government which was responsible for overseeing

---

93. Roem statement, 21 May 1953, op. cit., p. 547; "Laporan Komisi Penindjauan...", p. 539.

94. S. Sardjono, op. cit.; Tangkas (Medan), 21 Mar. 1953; Pedoman (Djakarta), 26 Mar. 1953; Dunning Idle IV, Indonesia's Independent and Active Foreign Policy, (Ph.D. thesis; Yale: New Haven, 1956), pp. 341-342. The Government later announced that twenty families concerned were being deported to Communist China.

95. Antara, 23 Mar. 1953.

96. Pedoman, 26 Mar. 1953.

the move and for arranging that the lands in question be used for a model village. Nevertheless, the very next day the P.K.I. East Sumatra branch, whose members held the key positions in the Joint Secretariat, issued a call to "Unite to defend the farmers' land!"<sup>97</sup> A delegation of the newly established Communist Front Persatuan Tani (F.P.T.--United Peasants Front), including Member of Parliament Sidik Kertapati (Chairman of Sakti), demanded that Prime Minister Wilopo see that the "murders" were stopped.<sup>98</sup> The National Council of SOBSI--which the P.K.I. was attempting to develop into its United Labor Front and which happened to have been meeting at the time of the incident--attempting to shift the blame onto the Dutch estate operators, issued a resolution condemning the "tractoring by colonial estate-operators protected by the armed apparatus of the Government" and terming this a consequence of the R.T.C. Agreement by which the colonial system was being reactivated.<sup>99</sup>

Although the problem of distributing land in East Sumatra had continually been a subject of concern to some members of Parliament, not until after the Tandjung Morawa Incident did it find a place on the agenda of a plenary session of Parliament. A delegation headed by Ersat Trunodjojo (Masjumi) was sent to East Sumatra by the Interior and Information and the Agriculture Committees to investigate the land problem there. The secretary of this inspection team was Abdullah Jusuf (the only native of East Sumatra on the team) of the

---

97. Cf. Ersat Trunodjojo remarks, 22 May, I. P. 1953, p. 576.

98. Antara, 23 Mar. 1953. Sakti was a Marxist organization of farm-laborers and poor peasants, principally in West Java, infra.

99. Karsono WERDOJO speech, 21 May, I. P. 1953, pp. 555-556. SOBSI demanded that the tractoring and terroristic actions such as the arresting and shooting of farmers be stopped and that the victims be indemnified.

P.N.I., whose North Sumatra branch already in October had announced its disapproval of Governor Hakim's administration and had called for such a parliamentary investigation group. From 24 March until 6 April the team, which included Tauchid and S. Sardjono (both of the B.T.I.) and Maizir Achmaddyn's (Masjumi), interviewed officials, police, farmers, and farm organizations and made on the spot checks.

On 31 March the delegation met in Medan with representatives of various farmers' organizations. A group asserting that it represented "twenty-two North Sumatran people's organizations" submitted three proposals: (1) Stop tractoring; (2) Form a land affairs commission on which farmers' organizations would have seats; (3) Free persons apprehended as a result of the land problem. Representatives of the Joint Secretariat, its member organizations, and the Chinese Farm-Laborers Union--the groups which had held the farmers' conference in January, that had condemned Governor Hakim--asserted that they could not accept the regional government's technical plan for land distribution and proposed: (1) Stop tractoring; and (2) Form a joint commission to carry out land distribution. When one of the members of Parliament asked if they had more specific and positive proposals to offer, they admitted that they did not.<sup>100</sup>

Several B.T.I., R.T.I., and Sakti local organizations refused to follow their regional leaders and condemn the land distribution plan. Pasaribu of Geraktani (a local farmers' organization) stated that his

---

100. "Laporan Komisi Penindjauan...", pp. 539-540, Maizir, 11 April 1953, op. cit., pp. 494-495. In reading the report to Parliament, Ersat Trunodjojo noted the obvious similarity between the two sets of proposals.

organization did not think it necessary to make changes in the plan. The S.T.I.I. (Masjumi affiliate) agreed, but suggested that the sum paid by the Government when a family moved be raised above Rp. 300. These farmers' representatives felt that the distribution program should continue since many farmer were anxious to obtain legal property rights as quickly as possible.<sup>101</sup>

The Parliamentary investigation group by no means operated free of factionalism. One member (Abdallah Jusuf) was condemned for beating the group to East Sumatra by three days, and making visits to various places which the Parliamentary delegation visited afterwards, thus prejudicing the replies which the delegation would listen to. One member was accused of urging the farmers to stay where they were and keep the land they were working and of remarking publicly during the investigation team visits that the Government appeared to be protecting foreign businessmen instead of the farmers. And one was reported to have repeatedly asked squatters, "Isn't this land our property?" To which the inevitable reply would be, "Sure, Pop."<sup>102</sup>

On the other hand, two members were accused of having borrowed money from Governor Hakim and of stopping off in Singapore enroute home.<sup>103</sup> To this charge Maizir replied that in view of the visit by the consul of the People's Republic of China and his staff to Tandjung Morawa after the incident without notifying the authorities, he and Trunodjojo had utilized the opportunity enroute home to stop in Singapore and follow up information on the illegal entry of Communist Chinese into North Sumatra. Consul General S. M. Razif confirmed that after British military operations in Malaya, many Chinese Communists reportedly had

---

<sup>101</sup>. "Laporan Komisi Penindjauan. . ."; Maizir, 11 Apr. 1953, op.cit.

<sup>102</sup>. Ersat Trunodjojo, 22 May 1953, op.cit., p. 577; cf. Antara, 23 Mar. 1953.

<sup>103</sup>. Muhammad YAMIN speech, 21 May, I.P. 1953, p. 551; S. M. Abidin speech, 21 May, I.P. 1953, p. 555.

smuggled themselves into North Sumatra and into West Kalimantan, as well.<sup>104</sup>

While still in Medan, Abdullah Jusuf gave an interview to the daily Waspada, the local P.N.I. paper, and allowed it to publish a telegraphic report he had sent to the P.N.I. parliamentary faction. As chairman of the investigation group, Trunodjojo disapproved the interview, citing an agreement among the members not to make separate interviews, and condemning the sending of a report to one's party while he was performing an inspection task.<sup>105</sup> To this Abdullah Jusuf denied that there was any such agreement against separate interviews. His telegram he described as a report from himself in the capacity of a P.N.I. parliamentary faction member to his faction.<sup>106</sup>

The inspection team of the two parliamentary committees finished its tour only one week before Parliament was scheduled to begin its quarterly recess. Since it was customary for committee inspection teams to draw up their reports for submission to their committee, which then in due time would submit a committee report to Parliament, and since the committees had not prepared a report, many members were surprised to learn that on the agenda of the plenary session of Parliament on the evening of 10 April was the "Report of the Investigation Commission on the Land Distribution Question in North Sumatra". Sjamsuddin St. Makmur (non-party), chairman of the Interior and Information Committee protested that no commission had been sent by Parliament to East Sumatra and recommended that the committee members first send their report to the committee. Trunodjojo also objected to the agenda. However, S. Sardjono and Rangkajo Rasuna Said (non-party) called for immediate action on the land problem in East

---

104. Maizir Achmaddyn's speech, 22 May, I.P., 1953, p. 576.

105. Report Trunodjojo remarks, 10 Apr., I.P., 1953, p. 490

106. Abdullah Jusuf remarks, 10 Apr., I.P., 1953, p. 490



Sumatra. Finally, it was agreed that the committees would later make a joint report.<sup>107</sup>

However, the next day, 11 April, being the last day before the recess, the Interior and Agricultural Committees, being unable to provide their report before then, agreed to permit the inspection team to submit its report to the plenary session of Parliament. Abdullah Jusuf then read a first draft of the team's report, which mentioned interviews made by the team, cited documents referring to settlement of the land problem, discussed varying results of the resettlement program, and gave an account of the Tandjung Morawa incident.<sup>108</sup> Although this tentative version was largely accepted in the official report later, it did not treat all matters very thoroughly. Consequently, Maizir Achmaddyn's supplemented it by describing the meeting with the farmer organizations on 31 March and noting that many of the organizations there did not approve the attack on the land distribution program. He spelled out for the first time in public the eight demands of the ten Chinese families at Kampong Perdamaian, and provided a description of the preparations for the demonstration there by certain affiliates of the Joint Secretariat, according to police reports and the team's on-the-spot interviews.<sup>109</sup>

After the recess, the parliamentary calendar did not allow for discussion of the East Sumatran land question until 21 May. Ersat Trunodjojo, chairman of the investigation team, read the team's official report--an expanded and grammatically improved version of the one Abdullah Jusuf had read plus some of the information Maizir had spoken about. It closed with the conclusion made

---

107. I.P. 1953, pp. 489-490

108. I.P. 1953, pp. 491-494.

109. I.P. 1953, pp. 494-495.

by the inspection group on 15 May (Maizir was not present)--simply that the distribution of land had not run smoothly because: (1) the farmers' organizations reacted unfavorably to the system of land distribution, including (a) the system of moving, (b) insufficient monetary aid, (c) insufficient and unorganized information, and (d) psychological factors; and (2) the payments determined by the central government had not occurred smoothly.<sup>110</sup>

The Government's position in this matter was provided in a statement by Minister of Interior Roem (Masjumi). Referring to the confused situation the Government found itself confronted with, in which neither estate nor farmer could operate well, he spoke of the Government's "grand plan" for solving this matter by following a middle course, which would allow estates to operate and so contribute to the development of the state and provide needed foreign exchange and at the same time provide adequate land to farmers (many of whom had once been contract coolies) with permanent property rights so that they would have an opportunity to develop a viable livelihood. Termining the Government's plan a product of three cabinets, he implicitly called attention to the contribution of P.N.I. leaders to it. Termining the plan for land distribution a radical step for the Government, which in principle had recognized concessions since 1945, he declared that if there were some who felt that alien capital had to be expelled, their views were contrary to the Government's policy.<sup>111</sup>

Concerning the actual implementation of the land distribution plan, Roem described the Government's efforts and intentions. While admitting that there had been numerous shortcomings in administering the resettlements, he declared that the plan was basically sound and that many of the criticisms against it had

---

<sup>110</sup>. I.P. 1953, pp. 534-542.

<sup>111</sup>. I.P. 1953, pp. 542-545.

been exaggerated. In reply to the suggestion that the division of land had discriminated in favor of the D.P.V.,<sup>112</sup> Roem pointed to the possibility of parallel interests--while the tobacco companies needed dry lands, most farmers wanted lands that could be irrigated, and thus near streams. Declaring that the differences between Governor Hakim and the Ministry of Interior had been exaggerated, Roem described how he endeavored to bring about improvements in the directives of both. He emphasized in reply to complaints about drawing lots that if a group of farmers designated for resettlement at a new site would agree among themselves on who would get which farm-site, the drawing of lots could be dispensed with. It was only necessary where the farmers themselves could not reach an agreement. Decrying the abuse poured on the term "tractoring", he declared that if such land was ready for tobacco planting and the occupants stubbornly refused to move to other land provided for them, the Government felt obliged to follow out its plan." Roem next traced the developments leading up to the Tandjung Morawa Incident--which the Government declared that it seriously regretted--and asserted that in the face of the continued stubbornness of the Chinese settlers and their exorbitant eight demands, the Government had no other course but to clear the six hectares for the government's needs. He concluded by terming the matter one of principle: the Government did not consider it proper to revise the land distribution plan, but was ready to improve its implementation--with help from the farmers and farmers' organizations.<sup>113</sup>

---

<sup>112</sup>. Sarwono S. Sutardjo later implied that the Dutch head of the cadastral office, which had made the map dividing up the concession lands, had been subversive. I.P. 1953, p. 554

<sup>113</sup>. I.P. 1953, pp. 543-547. Reviewing the eight demands, Roem noted that there was even a request for tractoring (#3). Concerning point 5, he observed: "So the Government must provide houses and a school for aliens!" Concerning the action of the ten families, which led to the Tandjung Morawa incident, Roem declared: "It was improper for those Chinese aided by other Chinese to oppose the Government in such a way."

The debate that followed on 21 and 22 May 1953, during which nineteen speakers expressed their views, soon gave evidence that at issue was no simple local problem with a mere two sides to it. The problem on the agenda had its own complex economic, sociological, and political aspects. But besides providing a forum for these, the debate determined the fate of the Wilopo Government, which was principally a coalition of moderate P.N.I. leaders, the Masjumi, and the P.S.I. For a perspective of the events that were quickly to follow, it should be noted that the P.K.I. was endeavoring to build up a United Front opposed to the "compradore-bourgeois clique" of Indonesians who "defended the interests of imperialism and served the interests of imperialist capital."<sup>114</sup> As a further step in realizing its United Peasants Front (F.P.T.), after preparations with the pro-P.K.I. leaders in the B.T.I. and Sakti, within four months it would merge its R.T.I. into the B.T.I. (the original post-war mass farmers organization on Java). At the same time left-wing leaders of the P.N.I. then in effective control of that party had probably considered that their prospects in the coming general elections would not be helped by continued cooperation with the Masjumi (the country's largest party). Consequently they failed to back the P.N.I. prime minister and his cabinet on so many controversial issues which it had set out to settle that the proverbial "ice-box" (or "deep-freeze") was soon well nigh bursting with them.

Mochammad Tauchid (leader of the pro-P.S.I. faction in the B.T.I.) presented a historical survey of the problem of land for estates and farmers in East Sumatra and the most complete listing of factors which could induce farmers to resist moving--psychological as well as physical. He agreed with the Government's decision to provide sufficient farm-land and appreciated the need

---

<sup>114</sup>. Cf. M.H. Lukman, "Menudju Front Persatuan", Bintang Merah, VII (1951), pp. 57-59.

to move settlers from overcrowded areas, but he called for careful preparations to reduce the possible hardship on farmers. Believing that tobacco could be cultivated on a five-year rotation basis, he felt that the D.P.V. could operate suitably on 75,000 hectares. Moreover, instead of hastily moving everyone off the tobacco lands at once, he felt the program could be extended over five years.<sup>115</sup>

Sumartojo, speaking for the P.S.I. faction, stressed that the question was more than one of administering existing plans; there were also social and economic factors that had to be considered. A broad attack on the land problem in East Sumatra would include opening up opportunities in adjacent parts of Atjeh and Tapanuli, from which farmers were still streaming. He also called for maximum government assistance to the farmers being resettled, in order that healthy new communities could develop. Assailing the tobacco system of cultivation, he remarked that in the old days planting one plot only once in several years had been the accepted system among many farmers, but with the growth in population and resultant sparsity of good farmland, farmers had come to farm the same plot continually. In view of the changed conditions in East Sumatra from the time the concessions were first granted to the tobacco estates--the denser population and consequent shortage of arable land--Sumartojo suggested that the tobacco estates too could abandon old-fashioned cultivation methods. With the use of fertilizers and modern farming methods, he thought the system of rotation could easily be shortened to two or three years. The Deli tobacco then being cultivated was far less than before the war; moreover, the trend among the smoking population was gradually away from cigars. Such factors, he felt, should be considered when determining the size of reserve lands for the

---

<sup>115</sup> I.P. 1953, pp. 570-572. Tauchid felt that each year settlers needed to be removed only from the one-fifth of the estate land then scheduled for tobacco cultivation.



tobacco estates". Realizing that the "North Sumatra land problem" was not limited to the tobacco estates alone, he recommended that the Government immediately ascertain from the tree estate companies in Simelungun and Asahan how much land they were willing to cede, and pending the transfer of such land back to the State, he urged the Government to forbid the tractoring of land being farmed by occupants on such estates.<sup>116</sup>

A few members of Parliament were concerned about specific features in the land distribution program in East Sumatra. Johan Paul SNEL (P.R.N. and representative of European peranakans) cited a clause in the K.P.P.T. "guide to land distribution (dated 11 February 1952), which stated that: "The Government recognizes the existence of citizens and 'indigenous' citizens." Although local officials were authorized to distribute directly land to indigenous citizens, they had to refer the matter of non-indigenous citizens to the K.P.P.T. Charging that the past "colonial discrimination" had been replaced since the transfer of sovereignty with "national discrimination", he urged the Government to end this practice at once and reprove the official responsible.<sup>117</sup>

Two East Sumatrans pleaded the case of the indigenous farmers, who had the right under the old concessions to farm on the fallow tobacco plots, the "tanah penunggu" or "djaluran". Mohamad NUH (PIR) protested that when the estates asked the Governor whether these rights of the indigenous population remained after the concessions were converted into hak benda property, they had been informed that the right to tanah penunggu had been abolished~~l~~ without giving any juridical grounds. He read a resolution from a conference of the

---

<sup>116.</sup> I.P. 1953, pp. 552-554. Sumartojo also recommended that the removal of settlers from tobacco land be synchronized with the periods of rotation.

<sup>117.</sup> I.P. 1953, p. 548. Snel also cited the discrimination in the draft agrarian law where Indonesian citizens of foreign descent would be "allowed property rights limited both as to time and area."

Indonesian "penunggu" people of North Sumatra" of 19 April which: (1) urged the Governor to rescind the letter abolishing the "djaluran" rule since its abolition would mean that many persons no longer would have a plot to farm; and (2) urged that the estate companies be ordered to turn over "djaluran" land to the "penunggu" population and pay compensation. Ngeradjai (a Karo Batak with the Fraksi Demokrat) supported these demands and protested the Government ruling that any Indonesian farmer who had lived in East Sumatra six months was entitled to receive land in the distribution. He opined that the rights of the indigeno residents would not be so neglected and indiscriminate migration would not be allowed in other parts of the country.<sup>118</sup>

M. Yunan Nasution (a Mandailing Batak who had become Masjumi chairman for East Sumatra) criticized the parliamentary committee report as superficial and called the Government-D.P.V. agreement ratified by Minister Iskaq the heart of the matter, since it had led to the plan which the Government was obliged to carry out. He declared that the Tandjung Morawa Incident had no direct bearing on the general land problem in East Sumatra but did have "other aspects" which were evident from the preparations for the demonstration and the fact that only one of the dead was a local farmer.<sup>119</sup> However, the position of the Chinese at Tandjung Morawa was defended by Sarwono S. Sutardjo (P.K.I., a Javanese former

---

<sup>118</sup>. I.P. 1953, pp. 548-550. Sumartojo and Yamin also spoke out for considering the penunggu rights.

The indigenous farmers subsequently organized the Badan Perdjuangan Rakjat Penunggu Indonesia Sumatera Utara to fight for their rights.

<sup>119</sup>. I.P. 1953, pp. 551-552.

Pesihdo leader in East Sumatra) and S. Sardjono (a leader of the pro-P.A.I. faction" in the B.T.I.).<sup>120</sup>

The two Masjumi members of the inspection team defended the land distribution plan for East Sumatra. Maizir declared that any allegation that the program had broken down was false and that he himself had witnessed how much better off the farmers resettled were than many had alleged. He charged that the program was being sabotaged by four groups who had vested interests in seeing that the settlers objected to moving: (1) speculators; (2) groups opposed to the R.T.C. policy and implicitly endeavoring to scuttle it; (3) certain aliens--specifically the Chinese Communists (citing the efforts of their officials to protect unspecified interests around Tandjung Morawa, and charging that they were attempting to pit the Indonesian people against their government); and (4) groups hostile to the Governor of North Sumatra, such as the members of the Joint Secretariat, which attempted to force the governor out of office by blaming all the undesirable aspects in the land distribution on him, even though his plan was an extension of that of the Central Government". Trunodjojo also referred to the fishing in troubled waters by certain groups. He termed the association of Chinese farm-laborer unions basicly political (Communist) and an extension of the foreign policy organization of the People's Republic of

---

<sup>120</sup>. I.P. 1953, pp. 554-555.

Muhammad Yamin (non-party), who complained that the report contained no final resolution, suggested that even if the Chinese settlers at Tandjung Morawa had entered the country illegally, they might have obtained citizenship through the passive system. I.P. 1953, p. 551.

China, and he cited instances of intimidation of farmers by certain "farmers' organizations."<sup>121</sup>

#### Sidik Kertapati Motion

Political opposition to the Government's position on the land distribution question ranged from mild to extreme. Two P.M.I. members, Abdullah Jusuf and Ida Bagus Putra MANUABA (Chairman of Petani) asserted that the farmers involved in the East Sumatran land problem objected not to moving but to the technical implementation of the resettlement program. The former asked that the Government act soon to solve the problem on the tree estates where companies associated in AVROS were tractorizing farmlands of the people under government and police protection.<sup>122</sup>

Abdullah Jusuf, Sarwono, and Abulhajat (United Progressives) attacked the "stubbornness" of Governor Hakim, and Abulhajat, Manuaba, and S.M. Abidin (Partai Buruh) questioned the propriety of the governor's acceptance of funds from the D.P.V.<sup>123</sup> Minister Roem interceded to object to the smearing of Governor Hakim's name. He defended the contribution from D.P.V. as benefitting the resettled farmers and reported that it was thoroughly accounted for.<sup>124</sup>

---

<sup>121</sup>. I.P. 1953, pp. 575-577.

On the other hand, Sardjono, charging that the K.P.P.T. had given Rp.35,000 to a certain farmers' organization for buying seeds, inquired whether only organizations which agreed with government policy could obtain such credit. I.P. 1953, p. 575.

<sup>122</sup>. There might have been some question of the appropriateness of Sardjono's inquiry, for while the Joint Secretariat denied that the January 1953 farmers' conference had been financed with Chinese funds, it declared that one source of funds had been the Central Government (which had donated Rp.5,000). I.P. 1953, p. 542.

<sup>123</sup>. I.P. 1953, pp. 547-548. Manuaba submitted a list of five pertinent questions which he wanted the Government to answer.

<sup>124</sup>. I.P. 1953, pp. 548, 554-555, 574. Abidin condemned the presence of g at Tandjung Morawa, declaring that the end desired could have been accomplished by tear gas.

<sup>125</sup>. I.P. 1953, p. 577.

Abulhajjat asserted that the North Sumatran authorities appeared to favor the estates while ignoring the revolutionary--if not juridical--rights of the population. Sudijono went further and charged that the cabinet was following a policy which clearly benefitted alien capital to the detriment of the population. Partai Murba called on the Government to cease forcible actions such as tractoring against the farm laborers.<sup>125</sup>

But the strongest attack of all on the government policy in East Sumatra was from Sidik Kertapati (United Progressives, who was chairman of Sakti)! He termed the Tandjung Morawa Incident "cold-blooded murder" of people who should have been defended, an action of a crazed government, and a provocation "for reasons "smelling of tobacco and dollars" by a personal government in Medan".<sup>126</sup>

K. Werdojo, on 21 May after reading a SOBSI resolution, made five proposals: (1) End tractoring of farm lands and cancel the existing plan for solving the land problem in East Sumatra; (2) Free persons arrested as a result of that plan; (3) Form a commission for land settlement on which representatives from farmers' and other organizations sit; (4) The Government should take steps towards its organs responsible for the victims of the Tandjung Morawa incident;" and (5) Provide sufficient aid to victims of the incident.<sup>127</sup>

In view of the heated debates, it came as no surprise that just before the

---

<sup>125</sup>. I.P. 1953, pp. 555-556, 573-574. Both Sudijono and Werdojo called on the Government to submit a draft agrarian law.

<sup>126</sup>. I.P. 1953, p. 573. Countering a government statement that a local Sakti organization had supported the land distribution plan, Sidik declared that the person involved had been kicked out of the organization already months before and called him a hired adventurer to fool the people.

<sup>127</sup>. I.P. 1953, pp. 556, 576. Ahem Erningpradja, also of the SOBSI faction, made a series of proposals in the form of questions on matters covered by the first three points of Werdojo.



session on 22 May closed, Sidik Kertapati presented a motion co-sponsored by S. Sardjono, Ahem Erningpradja, Hangkajo Rasuna Said, and Izaak Kiwoe LOBO (United Progressives, and chairman of Permai), stating that it was presented with the intention that farmers who had been chased off by tractors and intimidated would be able to return to their farmlands. The proposed motion demanded that the Minister of Interior:

- (1) Suspend the distribution of the former estate lands in East Sumatra;
- (2) Cancel the guide and all related instructions on the distribution of such land;
- (3) Revise the mapping of the D.P.V. concession land;
- (4) Form a commission to plan the distribution of land in East Sumatra, on which representatives of the farmers organizations sit; and
- (5) Free immediately all persons detained in connection with land distribution and farmer resettlement problems and cease new arrests.<sup>128</sup>

The Government was scheduled to reply to the debate on the Report of the Investigation Commission on the Land Distribution Question in North Sumatra, including its views on the motion proposed by Sidik Kertapati, but the reply was never made, for on 2 June the cabinet voted to return its mandate. Instrumental to this decision was the fact that Prime Minister Wilopo's own party leaders refused to back the Government in its policy on land distribution in East Sumatra, partly "because the party's North Sumatra branch had threatened to secede if it were not supported in this issue. As the Prime Minister indicated in his letter to the chairman of Parliament, "Even though cooperation within the Cabinet itself can still possibly be continued in facing current problems, it is evident that with the present constellation, the Cabinet cannot expect sufficiently large support from the parties which back it in the Parliament."<sup>129</sup>

---

<sup>128</sup>. I.P. 1953, pp. 577-578.

<sup>129</sup>. I.P. 1953, p. 625. Cf. Herbert Feith, The Wilopo Cabinet, 1952-1953: A Turning Point in Post-Revolutionary Indonesia, (Ithaca: Cornell University Modern Indonesia Project, 1958), p. 185. The October 17th Affair, involving the Army, had been an early principal issue put in the ice-box.

During the latter part of the Wilopo administration, the Government's "ice-box" had gradually become filled with what the Indonesians termed "frozen" (insoluble) issues on which it and the Parliament apparently did not see eye to eye, often because the P.N.I. faction would fail to support it. No one of these problems could by itself have brought the cabinet down, but by the time the East Sumatran land distribution problem was being considered in Parliament, the ice-box was filled. In the face of continued lack of support in Parliament, the Cabinet had no other course than to resign.

#### Agrarian Commission

The need to revise agrarian legislation and to find ways to settle disputes between estate operators and squatters from among the surrounding population had held the attention of every cabinet to a greater or lesser degree since the formation of RIS. The Natsir Government had expressed its intention to set up a state commission consisting of experts in the agrarian field and representatives of farmers and labor organizations, which was to advise the Government on agrarian problems and recommend changes in agrarian laws.<sup>130</sup>

In March 1951, a new Agrarian Commission (Panitya Agraria) was decreed, replacing the organization set up in 1948. However, it was not until October that members were designated. Sarimin Reksodihardjo (Chief of the Agrarian Section of the Ministry of the Interior) was appointed chairman, and Sadjarwo (Chief of the General Policy and Planning Section of the Ministry of Agriculture), Vice Chairman. However, in the meantime, the Sukiman Cabinet had set up a Ministry of Agrarian Affairs, in which Sarimin was the senior official under the minister. Since the new ministry took over many of the functions assigned to the Commission, it was not until after the formation of the Wilopo Cabinet,

---

<sup>130</sup>. Statement, 11 Oct., R.P. 1950, p. 1800.

which dropped the Agrarian Affairs portfolio, that the Agrarian Commission was finally installed on 22 August 1952.<sup>131</sup>

The Middle Course: Tauchid and Singgih

Although the Agrarian Affairs portfolio was not retained (as a measure to simplify the administration), the Wilopo Cabinet announced that efforts to revise agrarian legislation would be continued. In the meanwhile, for attending to immediate problems a guide to be followed by the Government was announced. In cases of conflict of interests between alien enterprises and the local farming population, as has been noted, settlement on the broader basis of the interests of the state and nation was to be sought. Besides efforts to "democratize" feudal landholdings, it was announced that efforts would be made to preclude the concentration of very extensive land holdings in the hands of a few, which would result in the oppression of the economically weak by the economically strong; moreover, extensive landholdings already in existence would be so regulated as to avoid abuses or changed into "joint undertakings" in line with the spirit of Art. 38 (1) of the Constitution.<sup>132</sup>

Mochamad Tauchid (B.T.I. and P.S.I.), observing that the R.T.C. Financial and Economic Agreement confirmed the return of "historical rights" on lands to capitalists, declared that the farmer did not think Indonesia independent while its land was still controlled by aliens. Land disputes in Java and East Sumatra he blamed on differences of interpretation of articles in the Agreement and the

---

<sup>131</sup>. "Putusan Presiden No. 36", 19 Mar. 1951, "No. 212", 30 Oct. 1951, and "No. 52", 10 Mar. 1953; Antara, 23 Aug. 1952. Seven of the commission's eight charter members were civil servants. The eighth, Banon, was an officer of Petan (the P.N.I. farmer's subsidiary). The chairman, like the nominating official (Minister Iskaq) was a P.N.I. member. In September 1952, when six new members were appointed, all save one were civil servants. The exception, S. Sardjono, like the vice chairman, was an officer in the B.T.I.

<sup>132</sup>. Statement, 9 May, I.P. 1952, p. 251.

haste to put them into effect. Concerning the land settler, Tauchid advised that persons are not easily ordered to turn over land that they have occupied, and that the people were offended by the use of police and the army to drive the occupants off. To settle such problems, Tauchid offered a list of seven principles to follow:

1. land forms the livelihood of the Indonesian people;
2. land policy is aimed at the prosperity of the people;
3. land for the farmer;
4. citizens (without differentiating between whether or not indigenous) have a right to own land;
5. minimum and maximum limits should be put on the size of property;
6. land utilization should be regulated by statute, in harmony with the policy of prosperity for the people;
7. supervision of land utilization by the governments of autonomous regions!

In implementing these principles, Tauchid proposed that:

1. all "private lands" be purchased and turned over for smallholder agriculture;
2. and 3. (abolition of feudal landholdings);
4. eigendom and opstal ~~European~~ Indonesian private property rights of aliens to be cancelled; if the owner becomes a citizen, he may hold the property as hak milik Indonesian private property with area limitations;
5. horticultural erfpacht property rights of aliens to be cancelled; if the lease holder becomes a citizen, he may hold the property with hak milik with area limitations;
6. erfpacht lands not used according to their leases and violating the erfpacht law to be taken over by the Government and converted into farmlands;
7. erfpachts and concessions not to be extended, but to be taken up when they expire; in compelling circumstances when the public interests demand, they might be expropriated according to the opportunity provided by the R.T.C. Agreement;
8. lands of expired erfpachts to be taken over by the Government and converted into "farmlands; erfpacht and concession lands not worked or neglected, to be taken over and converted into farmlands;
9. erfpacht and concession lands worked by the population as farm and "village" land since the Japanese and Revolutionary periods to remain with the population, with consideration given to lands for "very important estate crops; and
10. laws to protect and maintain land, to prevent erosion, etc.

Tauchid, while recognizing that Indonesia still needed to have exports produced by alien estates, said too much emphasis was being put on estates with alien capital, and that more should be put on the production of such materials by

smallholders, for Indonesia could not depend forever on alien capital.<sup>133</sup>

The Wilopo Government, promising that it would give consideration to Tauchid's principles in the basic agrarian law then being prepared, observed that bills were almost ready to be submitted to Parliament on: (1) abolition of erfpacht rights not utilized according to the intent of the Agrarian Law of 1870; (2) abolition of erfpacht rights for small horticulture; (3) settlement of the problem of occupation of estate land; (4) reorganization of land utilization in East Sumatra; and (5) land rights for citizens of foreign descent.<sup>134</sup>

Since on 3 September 1952, shortly after the installation of the Agrarian Commission, Sarimin was appointed Governor of Sunda Ketjil and the membership of the commission was expanded, SINGGIH Praptodihardjo (Acting Chief of the Agrarian Section) was appointed as its new chairman. As the top official then in the agrarian sector and as a moderate member of the P.N.I. and thus in a position to determine agrarian policy under the Wilopo administration, his views are of more than incidental importance. Singgih rejected the concept of those who interpreted Art. 38 (3) of the Constitution to mean that all land was state property. Declaring that Indonesia had progressed far from the domeinverklaring of the 1870 Agrarian Decree issued by the Dutch, he asserted that in modern Indonesia in which every farmer wanted his own property sufficiently large for a proper living, and in which the people would not

---

<sup>133</sup>. Speeches, 15 May, 6 June, I.P. 1952, pp. 351-352, 614-615. Besides noting that the R.T.C. Agreement authorized expropriation, Tauchid mentioned that the erfpacht law itself provided for cancellation of all or part of leases on lands not worked. Cf. Tauchid, Masalah Agraria.

<sup>134</sup>. Statement, 19 June 1952, Keterangan dan Djawaban Pemerintah atas Program Kabinet Wilopo, p. 212.



acquiesce to the state's robbing them of their rights, state "control" of land meant nothing more than authority to regulate the land.<sup>135</sup>

Singgih believed that Indonesia should have a uniform system of land ownership--a "modern-national" law combining the best features of the adat and Western systems of law, while reflecting the spirit of the Indonesian nation. Such a land law would guarantee and guide the interests of the largest group (the farmers), while opening up opportunities to the state and the people for increasing the nation's production, wealth, and standard of living. Thus concerning hak milik, Singgih urged that several matters be regulated by law to avoid arbitrary action either on the part of the individual landholder or on the part of the community"(whether it be the extended family, village, or state). From this, he concluded that farms had to have maximum and minimum areas, but determined on an ad hoc basis according to the type of crop and soil and the location of the farm.<sup>136</sup>

If Indonesians were eventually to replace alien businessmen, thought Singgih, national capital and businesses had to be developed, and although the Government had to guard against national capital becoming the monopoly of a few Indonesians, it was still the responsibility of all the people to organize such national capital. Nevertheless, alien estates using much capital (thus those which the state or Indonesians themselves would be unable yet to operate) or employing many workers (and providing them with a livelihood) were still important. However, Singgih advocated for the successor to the erfpacht a

---

<sup>135</sup>. Singgih Praptodihardjo, Sendi-sendi Hukum Tanah di Indonesia (2d ed.; Djakarta: Jajasan Pembangunan, 1952), pp. 23-24.

<sup>136</sup>. Ibid., pp. 77-82, 86-93, 122-123. Singgih noted that during the period of transition, existing agrarian laws usually had sufficient provisos to bring an end to the more objectionable features.

guide by which could be determined area and geographical limitations and a shorter term. Other estates", he suggested, might be operated by the state itself or transferred to the people or operated as "joint undertakings" by the Government and the people.<sup>137</sup>

A more complex problem, Singgih felt, was that involving land rights of citizens who under the Dutch-created land laws were considered as non-natives and thus aliens prohibited from acquiring many types of landholdings. Declaring that the Government had to determine its attitude on this complex matter, he advocated transitional regulations under which such "new citizens" would be allowed to use property for a limited period of about five years, after which their rights would be converted to permanent hak milik.<sup>138</sup>

When the Ali Sastroamidjojo Cabinet took office in August 1953, part of its program called for revising agrarian legislation "in harmony with the interests of the farmers and urban population." Thus a Minister for Agrarian Affairs was appointed, whose primary task was to make ready a basic land law. Pending its completions, which was expected to take a long time, the Government announced a guide for settling several problems in the immediate future. These included efforts to end vast accumulations of land in the hands of a few persons (in

---

137. Ibid., pp. 35-36, 82-85. Singgih personally preferred a 25-year term for new erfpachts with a 15-year extension if required for rehabilitation. Concerning the rights of aliens to possess land (other than estates) in Indonesia, he advocated a principle of qualified reciprocity in which area and geographical limitations would prevail.

138. Ibid., pp. 124-129. Singgih said that objections by many indigenous citizens to extending equal land rights to citizens of foreign descent were only partly founded in fact." He observed that whereas Dutch-Indos held their citizenship on a rather solid basis (having actively and unreservedly chosen Indonesian citizenship) and had assimilated with indigenous citizens, many Chinese-Indos were dual nationals, having only passively acquired Indonesian citizenship (like the Arab-Indos), and maintained a separate community. He observes also that there was no certainty that those acquiring extensive landholdings, thanks to their new Indonesian citizenship, might not later give up such citizenship.

order to conform with the spirit of Arts. 26 and 38 of the Constitution), and giving attention to the interests of the farming and urban populations when providing opportunities to alien capital for participating in developing the country's economy.<sup>139</sup>

Subsequently, the Government announced that in principle it had no objection to the continuation of plantation enterprises on land with existing erfpachts, although the term would be shortened and the contracts would have to be brought in line with Indonesia's economic policy. Thus estates on erfpacht land could only be continued if: (1) they were important to the production process and could not so far, or only with difficulty, be managed by the population itself, and (2) were not detrimental to the interests of the population. Enterprises which did not meet these conditions were warned to bring themselves in line with them as quickly as possible. Concerning the matter of foreign personnel raised by Kasimo, the Government declared that it desired that "Indonesian experts eventually occupy most positions on the staff and management of such estate enterprises, and announced that implementation of such a plan" was then taking place.<sup>140</sup>

#### State Commission for East Sumatra Estate Lands Distribution

With the fall of the Wilopo Cabinet, the systematic solution of the land distribution problem in East Sumatra, which had aroused expectations of a long-range settlement, began to slow down, and a few months later the forceful Governor Hakim was replaced. The new Ali Sastroamidjojo Cabinet announced

---

<sup>139</sup>. Statement, 25 Aug., I.P. 1953, p. 722-723.

<sup>140</sup>. Statements, 2, 10 Sept., I.P. 1953, pp. 788, 830-831. In reply to Sakirman's suggestions that the Government give empty lands, including former estate lands no longer cultivated, to farmers with insufficient land, the Government announced its agreement in principle, but declared that it had to be very careful in such "distribution." I.P. 1953, p. 777.

that the problem was one of four inherited from the past cabinet which it would endeavor to solve. To seek improvements taking into consideration the interests of the people and the state, a State Commission composed of those affected was to be set up. The Commission would make investigations and report back recommendations to the Central Government within two months. Meanwhile, settlers who agreed to resettlement would continue to be moved to new lands, and those who had not moved only because they were not satisfied with the land offered them would be offered new sites. The status of the other settlers who did not wish to move would await a decision based on the Commission's report. It was also announced that land would only be distributed to citizens of Indonesia and that the Tandjung Morawa incident would be settled according to law.<sup>141</sup> Two days later, on 27 August, the Central Government cabled Medan to stop the bulldozing of settlers' farms and razing of their dwellings--another so-called "standfast."<sup>142</sup>

In reply to the Government statement, Mohamad Natsir (Masjumi) observed that this land problem had been the cause of the downfall of the Wilopo Cabinet, which was not prepared to carry out the demands of the opposition for reconsidering the land distribution principles, suspending the removal of settlers, and freeing those involved in the Tandjung Morawa incident. Comparing the new

---

<sup>141</sup>. Government statement, 25 Aug., I.P. 1953, p. 727. The guide for the state commission included such points as: where villages and sawahs had developed before 1950 on land designated for tobacco estates, such areas would be removed from the estate concessions; if areas vacated by farmers were not at once utilized by the tobacco estates, the former occupants could still get crops from them; within the limits of the state's financial capacity the Rp. 300 payments to farmers would be supplemented with farm tools, transport would be improved, and better preparations would be made on land for resettlements. The Government implied that the commission's investigation of the land mapping might lead it to make a new contract later concerning the area of land which had to be returned to the Government.

<sup>142</sup>. Government statement read by Mohamad Hanafiah, Minister of Agrarian Affairs. 25 Aug. 1954. I.P. 1954. pp. 890-891.

Government's announced intentions with those demands, he noted only a listing of ways to improve the implementation of the previously existing course. Thus, he declared, "The mountain has given birth to a mouse."<sup>143</sup> M. Yunan Nasution, in reference to the statement that a commission would be set up to make investigations, wondered whether the Government had ever read the report submitted by its own delegation headed by Djanu Ismadi.<sup>144</sup> The Government did not answer this, but it did report that out of 35,425 families which had to move, 28,744 had declared their readiness to move, and of these 21,215 had already moved. It also noted that there remained a problem of about 60,000 families of illegal occupants on 200,000 hectares (out of the 600,000 held by members of AVROS), which had to be returned to the Government.<sup>145</sup>

Two months later the State Commission for East Sumatra Estate Lands Distribution Affairs was decreed into existence. However, another four months passed before its members, chaired by Residen Subakti Pusponoto of the Ministry of the Interior, were officially appointed. Since the chairman shortly afterwards became ill, Vice Chairman Singgih (of the Ministry of Agrarian Affairs) became its head.<sup>146</sup>

The new Commission was installed on 10 March 1954. Nine days later

---

<sup>143</sup>. Speech, 28 Aug., I.P. 1953, p. 736.

<sup>144</sup>. Speech, 29 Aug., I.P. 1953, p. 749.

<sup>145</sup>. Government Reply, 2 Sept., I.P. 1953, p. 794. The text cited the figures on settlers as "persons", not "families".

<sup>146</sup>. "Keputusan Presiden R.I. No. 195", 17 Nov. 1953, and "No. 63", 5 May 1954; I.P. 1954, pp. 890-891. One section of the commission consisted of 3 representatives of farmers' organizations, 1 from the P.P.N., and 2 representatives of private entrepreneurs; and one section consisted solely of 6 representatives of farmers' organizations. The delay in appointing the members was caused by the difficulty in selecting the representatives of the farmers' organizations.



Governor S. M. Amin of North Sumatra issued his "standfast" order. This provided that occupation of estate lands occurring prior to 27 August 1953 would be settled by the new State Commission in line with instructions given it by the Ministry of Agrarian Affairs on 5 March 1954. In effect this meant postponement of any such solution until the Central Government issued instructions on the basis of proposals from the State Commission. However, persons involved in new occupations or expansion of old ones occurring after 27 August 1953 were considered to have violated the standfast and were given one week to move to places specified by the regional governments or suffer the consequences. At the request of a Communist labor leader the deadline was postponed until 20 April. Still a month passed without moves by the violators, most of whom were associated with the groups in the Joint Secretariat of Farmers Organizations for Solving the Land Problem of North Sumatra. On the day of the deadline, as the regional government was considering action to take, the Joint Secretariat ringleaders assembled at the Governor's offices and announced that the farmers could be moved beginning the next day. Accordingly, to facilitate the moving through 26 Mar the "Bupati Hanafiah Commission" was set up, which included four persons from organizations in the Joint Secretariat." A third category of squatters--those who newly occupied estate lands after 20 April--was turned over to the police for action.<sup>147</sup>

---

<sup>147</sup>. Antara, 21 Apr. 1954; Minister Hanafiah statement, op. cit.

The first request for postponement of the deadline for moving the second category squatters came from the head of an organization called Koperasi Ikatan Pekeraja (Workers Cooperative League): Abdul Xarim M.S., who had reestablished the P.K.I. and set up SOBSI in North Sumatra during the Revolution. The following year Xarim and Gov. Amin both ran in the general elections on the "Angkatan Baru Indonesia" ticket.

Bupati Teuku Hanafiah is not to be confused with Minister Mohamad Hanafiah.

In the meantime, although the State Commission reported increased mutual understanding among its members, little else was accomplished during its two-month term, and so it was extended until 10 August 1954. Because of the social, economic, and political ramifications of the land problem in East Sumatra, its work was slowed down. Nevertheless, in August it was able to present a preliminary report with recommendations for distributing land of tobacco and other estates. Rather than seeking a solution concerned solely with the subject of land, it sought one which also considered social and political factors and the interests and possibilities for development of the surrounding region. It approved the willingness of estate operators to return part of their lands to the Government, recommended a registration of the settlers which would differentiate between those actually living as farmers and those having other livelihoods, and called for removals made according to orderly plans, preceded by necessary preparation of the land and taking into consideration the interests of the estate operators.<sup>148</sup>

#### More Attempts to Solve Land Disputes

Although the East Sumatran land problems had been attracting the most attention, it was estimated that by mid-1954 80,000 of some 200,000 hectares of estate land on Java were similarly occupied by the local population.<sup>149</sup> Efforts toward settlement of land disputes through seeking agreement between the parties concerned seldom led to satisfactory results. Since most estates were on mountainous land, improper use of which brought erosion hazards, since irregular use of estate land delayed reconstruction of a branch of production

---

<sup>148</sup>. Minister Hanafiah statement, op.cit., pp. 891-892.

<sup>149</sup>. Tambahan Lembaran-Negara R.I. No. 594, (1954). Most squatting on Java occurred in the karesidenan of Kediri, Malang, and Surakarta, where 23,000, 20,000, and 14,000 hectares were occupied by 13,000, 8000, and 7000 families, respectively.

admittedly important for the State at that time, and because several disputes and disturbances endangering the public order had occurred in such areas, the Government determined to take more emphatic steps towards a solution of the problem. It decided on measures with a two-fold goal: (1) to give a legal status to occupants of estate land" so that they would have an opportunity to improve their standard of living; and (2) to give estates which were important to the country an opportunity to continue their operations. Accordingly, the Government, having heard the advice of its commissions on land problems, on 12 June 1954 issued an emergency law for settlement of the problem of the use of estate land by the population. The new law authorized the Minister of Agrarian Affairs to arrange for the local authorities to hold discussions with estate operators and representatives of the settlers in regions designated by him. If agreement between the parties was reached, it was to be published in a joint decree of the Minister of Agrarian Affairs and four other ministers. If no agreement were reached, on the recommendation of the local authorities the five ministers would determine a solution by joint decree, taking into consideration the interests of the people concerned, those of the population of the surrounding regions, and the position of the estate in the country's economy. The area of estate land to be given over to the State for redistribution, and the compensation therefor, were to be specified in the joint decree. Violators of the terms of the joint decree and persons who squatted on estate land after the date of the law were subject to fines and jail sentences.<sup>150</sup>

The new emergency law, on the one hand, gave legal recognition to the status of occupants of estates who arrived before its promulgation, pending a settlement for which it provided. On the other hand, it was given teeth in a

---

<sup>150</sup>. "Undang2 Darurat No. 8/1954".

provision that violators could be prosecuted and subject to eviction following a judicial ruling of violation. Previously, a separate judgement ordering eviction had been required. The teeth, however, were not very sharp, for the fines were a maximum of Rp.500 and the jail term three months, and new squatters could not be immediately evicted. As a result, squatting organized by several political "farmers" organizations resumed on a large scale, supplemented by unorganized occupation.

In the early fifties, while smallholder output of estate products showed important increases over the pre-war period, legitimized Indonesianization of estate agriculture was relatively limited to the P.P.N., Bank Industri Negara subsidiaries (several of which were joint enterprises with resident and foreign capital), and a handful of relatively small privately-owned estates. Where legitimate transfer of possession took place, it appeared that the greater part of the sales or sub-letting by Dutch companies had gone to Chinese.<sup>151</sup> Of course a relatively large number of estates still lay in various conditions of neglect. Yet alien estate agriculture still played an important, if less dominant, role in the country's economy, and at the time of the elections its outlook did not seem on the surface too forboding, for there were still important elements of the Indonesian community interested in assuring that estates remained in production and contributed their share to the Indonesian national product. Despite harassments in certain regions, the area of estate land restored to cultivation on Java by 1954 had risen to about sixty-four percent of the 1940 area and

---

<sup>151</sup>. John Paul Meek, The Government and Economic Development in Indonesia, 1950-1954, (Ph.D. thesis; U. of Virginia, Williamsburg, 1956), pp. 209-210.

that outside Java (principally on Sumatra) to 77 percent." Although most of these estates had already been restored before the establishment of the Unitary Republic, as Appendix A shows, there were still increases in area brought under cultivation of approximately nine and 18 percent, respectively, for the four years following.

Nevertheless, the existence of alien estates was very much a public issue. Despite the vast stretches of virgin territory in Indonesia where Indonesian government, cooperative, syndicalist, or private estates could conceivably be established, there was relatively little organized sentiment for creating such new fields of production. Political action was directed, instead, at the alien estates already existing--especially those with long-term proprietary rights. By 1955, "private lands" (not limited to the rural sector) were only a vestige of their pre-war size and were on the verge of extinction. The consensus of legitimate actions as reflected in Parliament and the Agrarian Affairs institutions, appeared to favor replacing agricultural concessions with leases, and long-term leases with those of shorter terms. The new leases would stipulate extensive social obligations.

But whereas it is not inconceivable that most Indonesians would have been contented with limiting the area, term, and other rights of alien estates in an effort at mutual understanding and benefit, the years immediately before the elections brought ill bodings for the potential future existence of alien estates, for certain organizations which thrived on creating and enlarging class differences were consolidating their action.

In September 1953 following the stage of the Communist "United Peasants Front", the pro-P.K.I. leaders of the B.T.I. voted to merge with the R.T.I. (the P.K.I. subsidiary which did not recognize private property and which had



as its goal a "people's democracy" for Indonesia).<sup>152</sup> Most of the other democratic farmers' leaders had long since left the B.T.I., and as a consequence of the merger, the moderate socialists led by Tauchid withdrew and set up their own Gerakan Tani Indonesia (G.T.I.--Indonesian Farmers Movement).<sup>153</sup>

Also in September 1953, Sidik Kertapati (Chairman of Sakti), whose United Progressives had won the defense portfolio for Mr. Iwa Kusuma Sumantri in the Ali Sastroamidjojo Cabinet, withdrew his motion, declaring that most of its demands had been taken over by the new Government.<sup>154</sup> However, Sakti, an organization of farm-laborers and poor peasants principally in West Java, itself contained a variety of less sophisticated Communist factions, including some close to Partai Murba and Acoma (the Young Communist League). Consequently, although Sakti was united in feeling that Indonesian farmers could only prosper if the land of "alien and Indonesian landlords" was seized and distributed "to the farmers who work it",<sup>155</sup> dissatisfaction with the withdrawal of the Sidik motion plus opposition to merging in a P.K.I.-dominated organization meant that almost another two years elapsed before Sidik was able to bring his rump Sakti-P.K.I. into the B.T.I. in June 1955.

---

152. Almanak Pertanian 1953, p. 133; I.P. 1955, pp. 32, 95. According to the new B.T.I. program, the poor and landless farmers had to be freed from the exploitation of landlords and commission agents and had to attract the medium farmers over to their side while neutralizing the rich farmers".

153. Almanak Pertanian 1954, p. 147. The G.T.I. declared that it was based on democracy and had a goal of raising the standard of living of the Indonesian farming population in order to cooperate with other groups "to organize a society free from exploitation."

154. Speech, 7 Sept., I.P. 1953, pp. 812-813.

155. Cf. Sidik Kertapati, Untuk Persatuan dan Memperluas Perjuangan Tani, (Djakarta: B.T.I., 1955). Sakti had been founded in Djakarta in December 1949 largely from the Lasjkar Rakjat of West Java, which Sidik had headed (under the name "Andu Sidik"). Unlike the pro-P.K.I. parties which had earlier backed the Linggardjati Agreement along with the P.K.I. (consenting to the restoration of alien estates), the West Java Lasjkar Rakjat had consistently opposed such return, with arms as well as propaganda.

Of course there had been both legitimate and illegitimate action to restrict the area of alien estates, starting with those portions that had never been cultivated and those on which settlements had moved. But the goal of those peasant groups which often came forward as the prime-movers for such peripheral acquisitions appeared to be the ultimate annihilation of all alien estates. At the same time, the largest of the many estate union federations were dominated by xenophobic Communist factions, which favored expropriation if not outright confiscation of alien estates by the State. Meanwhile, Government policy in this very complex matter had often seemed ambiguous, and execution of that policy had been ineffectual. Thus, despite the series of standfasts, illegal Indonesianization flourished as a form of anarcho-syndicalism." By the time of the elections, a solution of the land problems on Java and Sumatra was still far from attainment.<sup>156</sup> Consequently, there was evidence that although a period of only five years had elapsed between the transfer of sovereignty and the general elections, the life expectancy of alien estates had been reduced by a far greater amount.

---

<sup>156</sup>. See Karl J. Pelzer, "The Agrarian Conflict in East Sumatra", Pacific Affairs, XXX (1957), 157-159. By 1957 approximately half a million persons were reportedly squatting on 114,250 ha. of estate land.

## CHAPTER XIX: MANUFACTURING

By 1950, most large-scale and medium-sized industries (by Indonesian standards) were still those operated by Dutch and Chinese companies, respectively. Although subsequently, all plans for "industrialization" and "Indonesianization" devoted much space to these industrial sectors, new investments in medium-sized industries remained far below the need and in large-scale industries were extremely few.

Mohammad Hatta, returning from the Round Table Conference in late 1949, had forecast that the RIS economic policy would give attention to the establishment of new industries.<sup>1</sup> Under his subsequent administration with Djuanda as Minister of Prosperity, however, little attention was given to new industries as emphasis was placed on high-priority items such as restoring past production (especially on estates) and facilitating the development of an Indonesian importers' class. One reason cited by Minister Djuanda for the lack of emphasis in this sector was the shortage of foreign exchange for machinery for new factories.<sup>2</sup> Even after the announcement of a \$100,000,000 line of credit from the Export-Import Bank of Washington for the "development of the Indonesian national economy", far fewer projects involving new industries were drawn up than for agriculture, transportation, and public works.<sup>3</sup>

---

1. Statement in Bangkok, 13 Nov. 1949.

2. Reply by Minister Djuanda to query by Yamin in Parliament, 23 Mar. 1950, RIS Dewan Perwakilan Rakjat, Pertanyaan Anggota dan Jawaban Pemerintah, I, pp. 82-85.

3. Reply by Djuanda to query by Erningpradja, 23 Mar. 1950, ibid., pp. 85-87. Some manufacturing equipment projected under the line of credit was intended to aid agriculture, e.g. machines for rehabilitating estate factories and a new factory to produce fertilizer. See letter by Djuanda in reply to a query by Mochamad Tauchid, 17 May 1950, ibid., II, p. 71.

Industrial rehabilitation continued to be financed largely through foreign banks. However, Government funds, channeled through the Bureau for Financing Reconstruction of the Ministry of Finance, were also applied, especially in restoring sugar mills.<sup>4</sup>

After the Natsir Cabinet took office, with Dr. Sumitro Djojohadikusumo as Minister of Trade and Industry, it announced plans for establishing a development company to be capitalized at Rp. 200,000,000.<sup>5</sup> It also announced that an industrial plan was being drawn up to give priority to industries manufacturing: (a) textiles; (b) agricultural and household implements and general consumer goods; (c) products processed from local raw materials; and (d) building materials.<sup>6</sup>

During the debates in Parliament over the Cabinet's program, Mr. Harmani (PIR) urged that the formation of mixed enterprises by alien capital and Indonesians be encouraged and applied to factories which had not by then been restored. He urged that Indonesians acquire 51 percent of such companies, using money borrowed at low interest rates from the Bank Negara Indonesia.<sup>7</sup> Mr. Tadjuddin Noor (also of PIR) expounded at length his views on the 51:49 ratio for mixed enterprises and recommended that it be applied also to the Government's proposed development corporation.<sup>8</sup>

---

4. Bank Industri Negara, Report on the First 5 Years of its Existence, henceforth, B.I.N. Report, p. 10.

5. Statement of Government Policy, 21 Sept. 1950, Risalah Perundangan 1950, pp. 339-340. The initial capital was to come from Rp. 25,000,000 in government credits. Most of the balance was expected to be sought through selling bonds on the open market.

6. Ibid., p. 356.

7. Speech, 29 Sept. R.I.P. 1950, pp. 782, 786.

8. Speech, 4 Oct., R. P. 1950, pp. 1415-1420. Noor suggested that the development company's capital could be increased to half a billion rupiah.

The Government, in reply, promised as part of its endeavor to strengthen the people's economy, to stimulate the establishment of large-scale productive enterprises with Indonesian capital. As a concrete example of such Indonesianization it cited the granting of licenses to seventeen Indonesian "newcomers" to set up rubber remilling plants (in a sector dominated by Chinese capital). However, alien capital was also to be allowed to participate in large-scale production, subject to conditions that would guarantee the people's welfare. It followed from this that there was still a need for a "marriage" of alien and Indonesian capital so long as this did not lead merely to the use of the Indonesian name as a front or injure the State.<sup>9</sup>

The 51:49 ratio for new mixed industrial enterprises, which had been stipulated by the former Republic of Jogjakarta, had the approval of the new Government of the Unitary Republic. Accordingly, during an official trip to Western Europe, Minister Sumitro reportedly secured the agreement of four European companies (three Dutch and one Swedish) to establish branch plants in Indonesia in cooperation with an Indonesian Government agency under this ratio.<sup>10</sup>

#### Economic Urgency Program

During Sumitro's incumbency an Economic Urgency Program drafted by the Directorate of Trade and Industry (under Dr. Saroso) was prepared, and in April 1951 it was published. It provided a provisional guide, pending its formalization in a statute, under which the Government could control the

---

9. Government reply 11 Oct., R.P. 1950, pp. 1828-1830, 1835.

10. Van Oorschot, De Ontwikkeling van de Nijverheid in Indonesië, p. 119; Indonesian Review, I (1951), 36-37. The Swedish company operated a paper mill; the Dutch companies: a wire and cable plant (Nederlandse Draad en Kabel-fabriek of Delft), a bicycle factory, and a textile mill. Despite the promises, there was no speedy establishment of the branch plants.



establishment of new enterprises. It provided that the Government had to have a dominant control of new "key industries", including defense plants, basic chemical industries, cement plants, power plants, waterworks, and transport enterprises. This was to be assured by Government participation in at least fifty-percent of the capital and two-thirds of the preferred shares, with a majority on the board of directors. The balance in one case would be in private Indonesian hands, and a "third party" (aliens) would serve under management-contracts to provide technical supervision of the construction, to manage, and to train Indonesians for leading positions in the enterprises. In a second case, a "third party" might join private Indonesians in minority participation, but his function would still be limited to manager.<sup>11</sup>

The Economic Urgency Program allowed foreign capital a more active role in "nonessential" industries. Here too a further division was possible. Where private Indonesian interest in such factories was in reality or potentially great, a mixed enterprise might be set up so long as Indonesians acquired a majority of the stock (including preferred shares) and of the seats on the board of directors, with the Government serving as temporary financier "to bridge any possible gaps". The corporation charter would provide for the gradual transfer of shares from alien stockholders to Indonesians and would require alien members to train an Indonesian staff. Where private Indonesian capital displayed no interest, alien capital could invest within the framework of the general economic plan. Such companies too, however, would have to be willing to accept eventual Indonesian stock participation and staff personnel or to train Indonesians to take over

---

11. "The Industrialization of Indonesia", Indonesian Review I (1951), 185-186.

staff functions.<sup>12</sup>

The Urgency Program (sometimes called the Sumitro Plan) had important provisions for the promotion of small-scale industries and industrial research. This study, however, is concerned only with its plans for large-scale industries. These also were divisible into two groups: short-term (expected to be completed by the end of 1952) and long-term.

Table 38: Short-term Large-scale Industrial Projects, Sumitro Plan

Type of project	No. of units	Proposed sites	Est. cost*
1. Printing plants	6 (later 7)	Djakarta (2) Semarang, Surabaya, Palembang, Medan, Makassar	Rp. 13.3
2. Rubber remilling plants	7	Bandjarmasin, Sampit, Pontianak, 24 South Asahan, Sibolga, Djambi, Palembang,	
3. Portland cement plant	1	n.s. (later Gresik)	21.8
4. Tire factory	1	"	25.3
5. Spinning mill	1	" (later Tjilatjap)	6.6
6. Knitting mills	3	"	4
7. Gunny sack factory	1	" (later Surabaya)	11.8

\* in millions

n.s.= not immediately specified

Source: Indonesian Review, I, 187.

Table 39: Long-term, Large-scale Industrial Projects--Sumitro Plan

Type of project	No. of units	Proposed sites	Est. cost*
1. Caustic soda factory	1	n.s. (later Waru)	Rp. 80
2. Am. sulfate fertilizer plant	1	Tjepu	75
3. Aluminum plant	1	Ashan Valley	92.5
4. Scrap-iron smelting plant	1	Semarang	48.2
5. Plywood factory	1	n.s.	10
6. Woodpulp and paper factory	1	Takengon	67.5
7. Glass factory	1	Surabaya	12.5
8. Spinning mills	3	n.s.	105
9. Knitting mills	6	"	19.5
10. Tannic acid plant	1	"	3.7
11. Desiccated coconut plant	1	Sukur (Minahassa)	8.3

\* = in millions

n.s. = not immediately specified

Source: Indonesian Review, I, 188-189

Whereas the short-term projects, requiring investments of Rp.178,685,000

<sup>12</sup> Ibid., p. 186. Existing enterprises (not so easily controlled as new ones) might receive Government loans for expansion provided that the

were virtually all post-independence projects, all save the last three of the long-term projects (costing a total of Rp.522,230,000) had been included in the 1941 Industry Plan.<sup>13</sup>

Sumitro's Economic Urgency Program was taken over by the Minister of Economic Affairs in the Sukiman Cabinet, but the capital needed for it turned out to be ~~in~~ extremely short supply. Thus Prime Minister Wilopo had to announce that the period for implementing the short-term projects would be extended from one to three years!<sup>14</sup>

Among the short-term projects only the printing plants (the cheapest items) were completed and in operation by 1954; no project had been completed within the allotted two years. A seventh printing press (a second one for Djakarta) was added, and instead of one for Palembang, one went to Bandung. These presses were sold on credit to private national companies, a number of which were set up jointly by local newspaper companies. The demand for rubber remilling plants was not so sustained as that for printing presses, and by 1954 only five Government plants had been built to join the 86 private plants in existence. Moreover, the plants built did not go immediately into operation for various reasons including the sharp competition ~~from existing plants~~ would agree to include Indonesians in the staff or train them for such positions!

13. See Table 9. The only projects in the 1941 plan which had been realized were some of the spinning mills. The country's great demand for yarn, however, led to provisions for additional spinning mills in both the short-term and long-term projects of the Sumitro Plan.

The aluminum plant's construction was contingent on the prior construction of an electric power plant at the falls on the Asahan (at additional expense).

14. Statement, 3 June, I.P. 1952, p. 571.

15. "The Government's program on industries", Ekonomi dan Keuangan Indonesia, VII (1954), pp. 705-709. See below for particulars on large- and medium-scale industries developed during this period.

Three of the other projects were eventually taken over by the Bank Industri Negara, while the tire and knitting plants in the light of increased domestic production were no longer so urgent. Most of the long-term projects were subsequently absorbed into the planning of the State Planning Bureau.

#### Industrialization and Foreign Investment

On 21 March 1951, shortly before the Natsir Cabinet went out of office, Minister Sumitro installed an Industrialization Commission, with Drs. KHOUW Rian Tie as Chairman. Seven weeks later, Minister Soejono Hadinoto, terming foreign investment necessary if the national economy was to be promoted, declared that he considered the foreign investment directives in the Economic Urgency Program both attractive to foreign capital and sufficient to protect national interests.<sup>16</sup>

Under these circumstances, the Commission continued its work, and on 31 August it issued an interim report which asserted that: (1) Indonesia's economic future demanded that the Government give leadership to economic development but without rejecting private initiative; (2) the goal of industrialization had to be the attainment of a balanced economic structure, the utilization of the population increase, and the raising of the national income; and (3) the basic form of industry had to consist of small units--at most medium-sized--and that large enterprises would have to support production connected with rural development.<sup>17</sup> The Commission then elaborated on the foreign investment provisions in the urgency program and classified industries into four groups. Group I were industries which had to belong to the State and

---

<sup>16</sup> Indonesian Review, I (1951), p. 169.

<sup>17</sup> van Oorschot, op.cit., p. 68.

from which foreign capital participation was to be virtually excluded, e.g., defense industries and public utilities. Group II were industries which were reserved for Indonesians, including small-scale industries and those traditionally operated by Indonesians. Group III were "basic or key" industries, in which foreigners could invest but in which Indonesian capital was to have or to acquire by option a controlling position (at least 51 percent); in the absence of private Indonesian capital, the Bank Industri Negara would be the Indonesian participant. Group IV were miscellaneous industries, in which foreign and Indonesian capital could participate without restrictions on their capital holdings, but in which training of Indonesians for the highest positions would be required.<sup>18</sup>

Despite the value of such groupings as a rule of thumb, many cases fell on the borderline. Moreover, although the Commission once gave notice that it would present a detailed plan for a balanced development of Groups I, II, and III, it failed to yield further concrete results.<sup>19</sup> Knowledge of its stalled operations did not immediately come to light, but when no further report from the Commission was issued, Engel and Asrarudin in Parliament in mid-1952 inquired about this matter, and Engel asked the Government to explain its position on the ratio between alien and national capital in the industrialization sector.<sup>20</sup> The Wilopo Government replied that this latter subject had been turned over to the Industrialization Commission, but it was unable to give

---

18. ibid., pp. 69-72; of. "The Government's program on industries", Ekonomi dan Keuangan Indonesia, VII (1954), p. 728.

19. van Ooorschot, op.cit., pp. 72-73.

20. Speeches, 20 May and 6 June, I.P. 1952, pp. 459, 634.



any progress report on the work of the Commission itself.<sup>21</sup>

Concerning industrialization, the Wilopo Cabinet explained that it was to be directed primarily toward increasing the manufacture of commodities for domestic consumption and replacing imports. This goal was to be approached through such ways as building and expanding "basic" industries using domestic materials, promoting industries that manufactured commodities which could be used by the existing production apparatus, erecting enterprises by the Government and/or the Bank Industri Negara, so long as private national initiative was lacking, and issuing regulations to protect new enterprises during their initial stage.<sup>22</sup>

Increased interest in the possible role of foreign capital in industrialization followed a criticism in July 1952 of the highly-publicized Economic Urgency Program, which had been the forerunner of the investment classifications of the Industrialization Commission. While Java Bank President Sjafruddin expressed his respect for the intention of the Urgency Plan, he took issue with the nature of its categorizations. Thus, he deplored its use of such terms as "national capital" and "national economy" without definition. Sometimes "national" appeared to refer to "citizen", and at other times as "indigenous citizen", while the "economically weak" for whom various small industries were reserved were Indonesian nationals. Sjafruddin also felt that too much emphasis was placed on ownership, so that the Government ignored the fact that it might exercise authority over an industry without necessarily having a majority control of its stock. The plan, moreover, gave the impression that foreign capital and personnel had to be

---

21. Statement, 3 June, I.P. 1952, p. 568.

22. Statement, 9 May, I.P. 1952, p. 249.

thankful for the opportunity of working in Indonesia, whereas the economically weak would benefit most from an expansion of foreign capital (and thus of production) in Indonesia.<sup>23</sup>

Sjafruddin recommended that all personnel and enterprises working in Indonesia be considered as national capital, regardless of the nationality of the individuals concerned, and that the only difference made between "national" and "foreign" would be that no transfers abroad would be allowed the one, whereas the possibility would be open to the other. While suggesting that foreign capital would best work in the export sector and that "domestic capital" from the net proceeds of exports be used in establishing domestic industries, and citing Turkey and India as examples of non-discrimination toward foreign capital, he urged that if foreign capital did manifest an interest in some activity where insufficient interest was displayed in Indonesian quarters, the foreign businessman should be allowed to devote his energies to that field. However, where no private capital evinced interest in particular projects considered by the Government to be "of major importance for strengthening the economic structure of Indonesia", Sjafruddin declared that it would be up to the Government to establish State industries in order to fill the gap.<sup>24</sup>

The sharp decline in state revenues which was occurring at the time the Wilopo Cabinet was formed gradually brought increased awareness of the subject of new foreign investment and of its potential importance to the economy. Foreign investment came to be treated not merely as a subsidiary item in an

---

23. Sjafruddin Prawiranegara, ed., *Java Bank Report, 1951/1952*, (Djakarta: Kolff, 1952), pp. 39-40. The English and Dutch versions of the Urgency Program and the Commission's classifications translated "national" as "Indonesian."

24. *Ibid.*, pp. 39-41.

industrialization plan but as a subject worthy of its own separate plan, and cabinets thereafter gave this repeated consideration.<sup>25</sup> Accordingly, Sjafruddin's remarks were most timely--even if they did run counter to the feelings of many Indonesians at that time.

#### Bank Industri Negara

During the first year following the transfer of sovereignty, the Bureau for Financing Reconstruction continued to channel government funds to industrial and plantation projects, and by mid-September 1950 it had been decided to establish another state organization to finance reconstruction instead of the B.N.I., which was starting to specialize in serving foreign trade. Originally the corporation form which had been considered for the B.N.I. was chosen, and it was planned that most of the Rp.200 million initial capital would be obtained on the free capital market.<sup>26</sup> Accordingly, on 4 April 1951, the charter of the N.V. Bank Industri Negara (B.I.N.--State Industrial Bank) was drawn up, and the new "industrial finance corporation" started operations, taking over the outstanding business of the Bureau for Reconstruction Financing.<sup>27</sup> Its presiding officers were principally men who held similar positions in the Bank Negara Indonesia.

The requisite legalization of the corporation's charter was not forth-

---

25. For a review of Indonesian political attitudes toward foreign investment in general, see Chapters XXV and XXVI.

26. R.P. 1950, pp. 339-340; see "B.N.I." in Chapter XXIII. Tadjuddin Noor recommended that the Government increase the capitalization, subscribe to 51 percent of it itself, and make the rest available to the public (including alien capital). R.P. 1950, p. 1420.

27. B.I.N. Report, pp. 10-12. The new officers were President Margono and Vice President Sukasno (both holding equivalent positions with the Bank Negara) and Esgo Taco KUIPER (Deputy Director of the Foreign Exchange Institute). Outstanding loans issued by the bureau had increased from f.13,500,000 at the start of 1950 to Rp.52 million when the B.I.N. took over.

coming in view of certain objections raised by the Ministry of Justice. There was also some feeling that the usual corporate form was inappropriate for a government institution. Moreover, a corporation according to European civil and commercial law was not authorized to accept mortgages on land with an Indonesian customary title. Accordingly, the bank was given a new legal status by an Emergency Law promulgated on 28 February 1952. This defined the purpose of the B.I.N.: "to promote the reconstruction of the country and the development of the Indonesian people in the sphere of agricultural estates, industry and mining." Provisions of both European and Indonesian customary law became applicable to it. Its authorized capital was to be Rp.500 million. And its officers were appointed by the President of the Republic from binding nominations by the Minister of Finance.<sup>28</sup>

Implementing regulations issued by the Minister of Finance (Sumitro) on 12 August 1952 emphasized that the B.I.N.'s activities would primarily be concerned with granting loans in the industrial sphere. It also provided that should granting a loan be unjustifiable from a banking point of view or because it did not fall within its competency, the Minister of Finance could order the B.I.N. to undertake such financing under his guarantee of the risks and liquidity position.<sup>29</sup>

From the foregoing instructions, the Bank Industri Negara came to serve two sets of clients, private industries and the Government. Not only did the B.I.N. grant loans to enterprises belonging to these two sets of clients, but

---

28. "Undang2 Darurat No.5/1952" and "Pendjelasan". So long as the old charter was not legalized, the B.I.N. officers were liable as private persons for all transactions. Thus the Government issued an emergency law rather than undergo the time-consuming process of waiting for Parliament to pass a statute.

29. "Keputusan Menteri Keuangan Nr 192508/U.U.", 12 Aug. 1952

it also participated in the stock and so became a holding company for enterprises founded by private business and the Government. In this position it was one of Indonesia's major entrepreneurs and also the principal member (often on behalf of the government) of "joint enterprises", in which either citizens or aliens were its partners. An idea of the growth of the Bank Industri's activities may be gleaned from the following table:

Table 40: Financing Activities of Bank Industri Negara, 1951--1955 (in millions)

Date	Paid-up capital	Outstanding credits	Stock participations
4 Apr. 1951	Rp. 90	Rp. 52	Rp. 0
31 Dec. 1951	140	130	n.a.
31 Dec. 1952	140	250	n.a.
31 Dec. 1953	240	351	84
31 Dec. 1954	240	426	90
31 Dec. 1955	240	531	120

Sources: Java Bank Report, 1952-1953, p. 79; Bank Indonesia Report, 1954-1955, p. 77; Bank Industri Negara Report 1951-1956, pp. 14-16, 80.

Of the thirty-one credits taken over from the Bureau for Reconstruction Financing, the majority were for rehabilitating sugar mills. Subsequently, major portions were converted into stock and, thereby the B.I.N. acquired control of five sugar and three tea estates. By the end of 1955, the Bank Industri also had a stock control of twenty-four other corporations, roughly half of which were started under its own initiative and the balance under instruction and where necessary with funds from the Government. Several of the latter group were from the Economic Urgency Program. In addition to the capital participations of the B.I.N., it also granted credits to its subsidiaries, amounting to Rp. 224 million by the end of 1955. At that time, over Rp. 154 million in credits was guaranteed by the Government (financed largely by Government payments).<sup>30</sup> The balance of Rp. 152 million in credits outstanding was distributed among 145 private companies, principally industrial.<sup>30</sup>

<sup>30</sup> B.I.N. Report, pp. 10-16. Major categories of private borrowers were: textile mills, printing presses, upland estates (principally tobacco), shipping companies, metal working, assembly plants, rubber processing plants, sugar mills, and mining companies. Cf. note 12, supra.



Although less than half of the bank's nominal capital was paid-in during the period under review, the B.I.N. began to acquire a new and important source of working capital in 1954. This source was of especial interest to foreigners, for it concerned the so-called RURNI, which were blocked rupiah accounts of non-residents. Possessors of such accounts, who were unable to transfer their funds out of Indonesia, were permitted to invest in reconstruction projects via the Bank Industri Negara, which issued 15-year three percent bonds. The Government guaranteed that interest as well as principal could then be transferred abroad.<sup>31</sup> The first such bond issue of Rp.50 million was quickly subscribed, and by the end of 1955, Rp.194 million worth of such bonds had been sold by the B.I.N. However, since the Government had earmarked some of these funds for housing construction, the B.I.N. was not free to utilize them in industrial projects which it might have preferred.<sup>32</sup>

Although the B.I.N. officers had been appointed for five-year terms, less than three months after the installation of the Ali Sastroamidjojo cabinet, and Dr. OENG Eng Die as Minister of Finance, there was a major shakeup in the bank's officers. The justification given was that some duplication between the officers of the B.I.N. and of the B.N.I. ought to be ended. Accordingly, President Margono was honorably discharged. Vice President Sukasno relinquished his position with the B.N.I. and was reappointed to the B.I.N. (but in the third instead of the second-ranking position). The occasion was used to discharge honorably the last remaining alien holding a top position with a

---

<sup>31</sup> B.I.N. prospectus and LAAPIN Circular B. No. 54, 25 Feb. 1954. During each of the first ten years, 6% of the principal was to be repaid, and 8% during each of the last five years.

<sup>32</sup> B.I.N. Report, pp. 13, 83.

state bank (Vice President Kuiper)". In the vacancies two leading officers of the P.N.I., both of its moderate wing and with economic as well as ministerial experience, were appointed. Soewirjo resigned as president of the P.A. Bank Umum Nasional to take over the presidency of the B.I.N. Former Minister of Economic Affairs Sumanang became B.I.N. executive vice-president.<sup>33</sup>

The Bank Industri Negara continued to expand under its new management. However, since its Supervisory Board consisted entirely of members of the P.N.I., the bank lost some of its earlier non-partisan character.<sup>34</sup>

### Major New Industries

There was extremely little new foreign investment in Indonesian industries during the years following the transfer of sovereignty. Also, although many small plants continued to be set up, there was virtually no private domestic capital invested in major industries. Consequently, the Government provided the funds for those few major industries which were established in Indonesia during this period.

Possibly the first new industry of importance was the assembly plant of the N.V. Indonesian Service Company Ltd. of Djakarta (Tandjong Priok), the charter of which was drawn up on 24 March 1952. The Bank Industri Negara held five-eighths of the initial stock issue of Rp. 8 million, and a Bank Negara Indonesia subsidiary (N.V. Putera), the balance. John C. Lee, Matthew Fox's representative, had been instrumental in organizing the I.S.C., while Mas

---

33. "Keputusan Presiden R.I. No. 184", 31 Oct. 1953.

34. At the end of 1955, the three members of the Supervisory Board were Messrs. Soemarno (chairman), Loekman Hakim, and Soegiarto, respectively Secretary General of the Ministry of Economic Affairs, First Deputy Governor of the Bank Indonesia, and Treasurer General.

A.N.M. Hasjim NING became its first President.<sup>35</sup> Beginning operation in late 1952 of the country's second automotive assembly plant, the I.S.C. turned out Willy's Jeeps and Dodge trucks.

The first major new industry founded under Government auspices in the outer islands was the Sukur Desiccated Coconut Factory ("Sudesco") at Sukur, Minahassa. Even before the Sumitro Plan was announced, a Philippine company had contracted to construct the plant and place it in operation. The plant was financed by the Jajasan Kopra (the Government's copra export monopoly), which intended that its ownership would eventually be turned over to regional cooperatives and private individuals. Originally it was planned to move a complete factory from the Philippines, where a factory was facing production difficulties, but when the Philippine Senate rejected this idea, new factory equipment was ordered from the United States. The factory, which cost approximately Rp. 15,000,000, and which had a round-the-clock daily capacity of twenty-seven tons, came under Jajasan Kopra operation on 27 April 1953.<sup>36</sup> Despite the excellence of the plant, however, it continually lost money, for it was virtually unable to market its product abroad because of Philippine competition. Consequently, to supplement the foreign trade it embarked on a domestic sales campaign in an effort to introduce its product

---

<sup>35</sup>. B.I.N. Report, p. 23; see also Charter 1209/1952. Charters (and their amendments) of corporations in Indonesia are published in the "Perseroan Terbatas" series as supplements to the Berita-Negara R.I. Hasjim Ning, who had been a co-founder of the "Sativa" trading company five years earlier, subsequently was active in setting up distributors and agencies for the I.S.C. Thus he was president of the Djakarta Motor Company.

<sup>36</sup>. "Desiccated Coconut", Indonesian Affairs, Mar. 1953, pp. 35-40, 44; "The Government's Program on Industries", Ekonomi dan Keuangan Indonesia, V (1954), pp. 708-709. Sudesco's first Indonesian manager was A.P. Lolong, a Menadonese, formerly with the Department of Shipping, and later a P.S.I. candidate.

into the Indonesian diet.

The Bank Industri Negara became Indonesia's leading entrepreneur in the growing spinning industry. It became a stockholder and creditor for the mixed enterprise set up by government and private capital at Semarang just before the war and renamed N.V. Pemintalan Djantra. In addition, the ~~short-range~~ sector of the Sumitro Plan had called for another spinning mill, and so after around a year of discussions over whether the Ministry of Economic Affairs or the Bank Industri would carry out the project, the B.I.N. acquired it. Thus the P.T. Pemintalan Kapas "Tjilatjap" was organized as a B.I.N. subsidiary. In mid-1952, soon after the initial survey at Tjilatjap by a Japanese firm, the machinery from Japan began arriving at the site. Construction of the plant only then began, but by late 1954 it was completed. Production with only a part of the 30,000 spindles began the next year.<sup>37</sup>

High on the 1941 and 1951 industrial plans had been the construction of a paper mill in Takengon near the pine stands of the Pusat Perkebunan Negara in Atjeh. A Swedish firm drew up blueprints, and the B.I.N. and P.P.N. jointly set up the P.T. Perusahaan Kertas Takengon, each accounting for half of the Rp. 1,000,000 initial paid-in capital. Soon thereafter, in September 1953, however, the Atjehnese civil war broke out, causing the project to be shelved indefinitely.<sup>38</sup>

Another Government enterprise, the Perusahaan Garam dan Soda Negeri undertook to establish the long-planned caustic soda factory in Waru near

---

37. See Charter 624/1954; Warta Ekonomi untuk Indonesia, V (1952), p. 607; B.I.N. Report, pp. 23, 43; "The Government's Program on Industries", op.cit., pp. 706-707. The project involved payments of \$1,640,000, while the corporation's nominal capital was set at Rp. 50 million.

38. See Charter 688/1953; B.I.N. Report, p. 16.

Surabaya. Construction was performed by the Indonesian firm N.V. Birokampi. However, progress was slow, and not until 1955 was it possible to begin production.<sup>39</sup>

The N.V. Pabrik Karung "Rosella", established in cooperation with the Dutch firm Tiedeman & van Kerchem, began production in March 1955 at Ngagel, Surabaya. It became the country's principal producer of sacks made of rosella, the cultivation of which was fostered by N. V. Tani Gulja, a B.I.N. agricultural subsidiary established in 1954.<sup>40</sup>

Indonesia's largest new industry, the P.T. Pabrik Semen Gresik (Gresik Cement Factory) at Gresik, East Java, was the principal manufacturing project financed under the Export-Import Bank line of credit. The supplementary agreement for a credit of \$14 million for this specific project was signed on 14 August 1954 and ratified later in the year.<sup>41</sup> After extensive planning, in 1953 the Bank Industri Negara had set up the new corporation as a wholly-owned subsidiary, and Ir. IBRAHIM bin Pangeran Mohammad Djahier, a senior official of the Ministry of Economic affairs, was appointed President. By mid-1954, a local survey had been completed and the necessary land purchased. In 1955, Morrison-Knudsen International began construction of the factory, the annual capacity of which (250,000 tons) would exceed that of the country's

---

39. "The Government's Program on Industries", op.cit., pp. 707-708. Approximately Rp. 65 million was spent in erecting this factory. The Maduresse had pleaded to have the soda factory on their island but were turned down because of the shortage of fresh water there.

40. B.I.N. Report, pp. 24; Harsono Reksoatmodjo, "Perkembangan Industri di Indonesia", Warta Ekonomi untuk Indonesia, X (1957), p. 9.

41. See Undang2 No. 35 of 1954, promulgated 6 December.



only other cement plant.<sup>42</sup>

A brand-new industry for Indonesia was the soybean milk factory at Jogjakarta sponsored by the Ministry of Health with cooperation from UNICEF. A corporation, the N.V. Perusahaan Pembikinan dan Penawetan Bahan Makanan "Saridele", was established and jointly financed by the B.I.N. and the government, with the Bank Industri taking over the management. Although production was scheduled to begin in late 1955, delays in delivering machinery--a gift from UNICEF--necessitated its postponement.<sup>43</sup>

Several other state manufacturing enterprises inaugurated during the period under review were handled by the Bank Industri Negara. The N.V. Pabrik Hardboard "Seranite" of Banjuwangi was founded in 1954 to produce hardboard under a German process from coconut fiber in the neighborhood of that East Java port. In 1955, the N.V. Pabrik Tinta Tjetak "Tjemani" was established, to produce printing ink at a plant at Pasar Minggu (near Djakarta) under a Swiss process. Plans for the construction of the country's largest bottle factory led to the establishment of N.V. Pabrik Botol in Surabaya in 1955. Machinery was purchased under a credit arrangement with the French Government, while construction was undertaken jointly by a French and a Swiss company.<sup>44</sup>

---

<sup>42</sup> B.I.N. Report, pp. 22-23; "The Government's Program on Industries", op.cit., p. 706; see Charter 451/1953. The corporation was initially capitalized at Rp.2 million, but total costs were estimated at approximately Rp.200 million.

The new cement factory was officially opened on 15 May 1957. Morrison-Knudsen undertook to provide technical training and advice during the first eighteen months of operation, after which an all-Indonesian staff (some members of whom received training in the United States under I.C.A. grants) was to take over. Report on Indonesia, VIII, No.3, p. 9, and No. 4 p. 16.

<sup>43</sup> B.I.N. Report, p. 29

<sup>44</sup> B.I.N. Report, pp. 25-26, 29. Production of hardboard and printing ink was scheduled to begin in 1956. The bottle factory, which would also produce other glass products, was scheduled to begin production in 1957. Its primary purpose was to help conserve foreign exchange through domestic production of beer bottles. Consequently, in its planning it secured the cooperation of the Heineken's beer company.

### New private Indonesian industries

The number of new private Indonesian industries of meaningful size during the period under review was quite small. As might be expected, Djakarta, with its many large industries constructed by foreign capital and many medium-sized industries set up by Chinese capital (much of which became "national"), was also the principal site of new "Indonesian national" industrial undertakings, most of which were either set up or expanded with government assistance. Many of them developed out of trading concerns--frequently themselves established only shortly before. One of the first set up during the Unitary Republic was the N.V. Pabriek Tjat dan Tinta "Indonesia" ("Indonesia" Paint and Ink Factory) which later added "varnish" to its name and production. Its founder and president, Sidi Tando had set up a trading limited partnership under his name in late 1949, which had become incorporated in 1950. The first "Indonesian" entry into the enamelware industry, thitherto completely Chinese-controlled, was N.V. Pabrik Pantji Email "Djawa". The company, originally set up in Bandung in 1951 by two P.N.I. businessmen and two alien Chinese (one from Hong Kong), subsequently chose Djakarta as its site. The company was later re-organized so that all its stock appeared to be held by Indonesians, and R. Notohamiprodjo became board chairman. Also in the capital city Hadji Sarmili set up a large tannery under his name.<sup>45</sup>

By 1953 a second echelon of Indonesian industrial companies was arising in Djakarta, in which political parties, especially the P.N.I. were to have

---

<sup>45</sup> Republik Indonesia: Kotapradja Djakarta-Raja, pp. 344-345. Many of the early industries were family corporations. Thus Sidi Tando and his wife were sole stockholders of his trading company, which in turn was sole owner along with Sidi Tando personally of the paint corporation. Hadji Sarmili and his four sons were sole stockholders in their company.

Notohamiprodjo subsequently became nominal holder of 97% of the stock of the company (also called Java Enamel Factory N.V.). Its charter provided that 53 1/2% had to be held by citizens of Indonesia. See Charter 314/1954.

interests. R. Kusmuljono and Dr. R. Kussardjono had established N.V. Perusahaan Dagang dan Industri "Indonesian Planning Office" (Indoplano), with which Mr. Wilopo became associated. Indoplano established the country's first pencil factory at Kalibata near Pasar Minggu. Two party leaders, Doel Arnowo and Mohamad TABRANI, resigned from the government service to devote themselves almost entirely to business, with the assistance of Chinese peranakan capital. Doel Arnowo, former mayor of Surabaya, taking advantage of the "name "Indos" (from "Indonesische Studieclub") in that city, founded along with Wirontono a company with that name in Surabaya. Shortly afterwards in cooperation with N.V. "Sindo" (a P.N.I.--Chinese peranakan business concern), he entered the rapidly growing knitting industry with N.V. Indos Knitting Factory Ltd. in Djakarta.<sup>46</sup>

Tabrani, with a record of a quarter-century of political and newspaper activity behind him, resigned as Chief of Peranakan and Alien Affairs in the Ministry of Interior. When the "Golim Concern", a trading company owned by Ir. and Mrs. GOUW Hoan Giok incorporated, Tabrani joined as vice president. Gouw in turn was co-president with former Minister Todoeng gelar Soetan Goenoeng Moelia, of NV United Indonesian Trading & Industrial Corporation (Unitra), which had been founded in 1948. The Gouws, Tabrani, and Professor Moelia then on 6 March 1953 became the principal stockholders and officers of what was to become one of Indonesia's most famous industrial enterprises, Indonesian Bottlers Limited N.V. The company, licensed to bottle "Coca Cola", soon was competing for the position of number one soft-drink producer in the country

---

<sup>46</sup>. See Charters 122/1951, 229/1952, and 281/1954. Sie Tek Soen, an Indonesian citizen, was President of N.V. Sindo (N.V. Sino Indonesia Import-Export-Transport Industry Company Limited). P.N.I. Chairman Sidik Djojosekarto was on the board of directors of both NV Sindo and the Indos knitting company. Doel Arnowo, who had other business interests too, resigned from the Ministry of Interior with the rank of Residen on 30 April 1953.

where the Muslim religion and a warm climate made soft drinks very popular. Tabrani (as co-president with Gouw) drew barbs from the P.S.I. press, which (ignoring Moelia of Parkindo) attacked the company as a P.N.I. industry and for a short while launched a campaign against "Coco Cola" slightly reminiscent of that which the wine producers of France had engaged in after the second World War.<sup>47</sup>

Djakarta was also the center of Indonesia's small but growing entertainment industry. Until 1951 Indonesian recorded music was only available to the public on records made in Malaya. Then on 17 May 1951, The Indonesian Music Company "Irama" Ltd. was founded by several Indonesians including SUJOSO Karsono, who became general manager. Records from his tapes pressed first in India and later by Philips in the Netherlands were distributed by the company in Indonesia under the "Irama" (Music) label." Then on 15 April 1953, the company opened its own record pressing plant (and studio) in Djakarta. Its recordings found a ready market among the Indonesian population.<sup>48</sup>

The Indonesian motion picture industry began developing rapidly with its center in Djakarta after the transfer of sovereignty. Perusahaan Film Negara (P.F.N.--State Film Enterprise), under the Ministry of Information dominated the field of newsreels and documentary and educational films, using the old Multifilm Studio in Polonia. However, besides the reappearance and establishment

---

<sup>47</sup>. See Charter 293/1954. Tabrani, who had been chairman of the Indonesian-Chinese Conference at Jogja (17-18 Sept. 1946), had many other business interests. Shortly thereafter he was to help launch PT Pertjetakan dan Penerbitan "Suluh Indonesia" and publish that P.N.I. party organ in Djakarta. Moelia divided his time between business interests (he was a vice chairman of DEIP) and education (he became chairman of Universitas Kristen Indonesia).

<sup>48</sup>. "Gramophone Records 'Made in' Indonesia", Indonesian Affairs, Jan/Feb. 1954, pp. 26-35. Sujoso, an aviator, also sang on several of the records. K. H. Maschewski, a German-born citizen of Indonesia, was plant manager.

of Chinese-owned companies, such as Tan & Wong Brothers and Bintang Surabaja, private Indonesian concerns were also built up. On 30 March 1950 the Perusahaan Film Nasional Indonesia (Perfini) was established with Usmar Ismail as managing director, and soon afterwards it incorporated. Its principal competitor among Indonesian producers was Perseroan Artis Indonesia (Persari), whose president Djamaludin Malik, became the principal businessman associated with the Nahdlatul Ulama.<sup>49</sup>

The Ali Sastroamidjojo Government provided a variety of protection to the Indonesian motion picture industry. Concerns producing "feature" motion pictures were protected by an import regulation effective 1 January 1954, which provided that single Malay and Philippine films could be brought into Indonesia (where they were very popular) only if the importer exported three Indonesian films in return. The several smaller companies specializing in adapting foreign films were protected by the Motion Picture Film Importing Regulation effective 5 June 1954, which prohibited the import of foreign movies dubbed with Indonesian dialogue, stipulating that such dubbing had to be done in Indonesia itself. Domestic motion picture producers in general were extended a degree of protection by a general prohibition against importing films over three years old. At the same time the importing of foreign films with Indonesian sub-titles was also proscribed in order that domestic sub-titling would be encouraged. Since domestic companies could not then meet the demand for sub-titling, however, this latter provision was subsequently suspended, but importers were warned that as much sub-titling as possible had to be done

---

<sup>49</sup>. cf. R.I.: Kotapradja Djakarta-Raja, pp. 465-467; Ensiklopedia Indonesia, p. 677; Charter 660/1952. Djamaludin Malik's many business interests, center around his Djamaludin Malik Concern, including publishing the Djakarta daily Duta Masyarakat (an N.U. organ).



within Indonesia.<sup>50</sup>

Djakarta also continued as the country's publishing center. Since only two Indonesian printing companies existed in the city at the outset of 1950 and several Indonesians complained that the alien press worked solely in its own interests, Ir! Sakirman (P.K.I.) urged in Parliament that they be nationalized.<sup>51</sup>

However, by 1951 the number of Indonesian printing companies in the capital had risen to twenty-three, compared to twenty-four "alien" (virtually all Dutch) and eighty-six Chinese. Thereafter, the number of private Indonesian and Chinese printing concerns continued to grow.<sup>52</sup> However, two of the largest new presses were government-controlled and privately managed and set up to supplement the production of the Pertjetakan Negara (State Printing Press). The larger, Pertjetakan Kebajoran NV, a joint enterprise between the Republic of Indonesia and the Enschede printing concern of the Netherlands, was established at Kebajoran to produce currency for the Republic. The NV Pertjetakan Dagang Nasional (Perdana--National Commercial Press) was capitalized by the Bank Industri Negara and managed by the Central Trading Company, the B.N.I. sub-

---

50. Central Office of Imports (K.P.U.I.) decrees No. Dir. 2938, 12 Dec. 1953, "B.P. no. 8" 5 June 1954, and "B.P. no. 9", 15 July 1954.

51. Field trip report, I.P. 1950, p. 308. Sakirman complained that several older Dutch companies were setting up new enterprises with mixed capital.

52. R.I.: Kotapradja Djakarta-Raja, p. 345. By 1952 the number of Djakarta printing presses had risen to 152, of which 36 were owned by Indonesians and 92 by Chinese. The publication of many new newspapers gave a major impetus to the growth of the printing industry, and the number of nominally independent papers (most of which were associated with some political party) continued to grow.

sidiary.<sup>53</sup>

The number of important new private Indonesian industries outside the capital area during the first few years of the Unitary Republic remained extremely small. In Medan the Larat Trading Company under President Victor HUTAGA AT began production at its Barat Cigarettes Factory at the beginning of 1953. This was the first "Indonesian national" company to manufacture cigarettes with Virginia tobacco by machine.<sup>54</sup> In Surabaya the Udatin company (Usaha Dagang Teknik Indonesia N.V.), cocperated with the Borgward automobile company of Germany on a 50:50 capital basis to organize in June 1954 the N.V. Pabrik Mobil "Borguin", which set up Indonesia's third auto assembly plant. Frits Hendrik EMAN (a Menadonese) became the new company's president, while its technical affairs were initially handled by Germans.<sup>55</sup>

#### Construction industry

Of the two principal Indonesian enterprises in the construction field which arose in the early years of the Unitary Republic, one was Government-owned and one private. The N.V. Pembangunan Perumahan (Housing Development Corporation), a wholly-owned Bank Industri Negara subsidiary established in 1953, was as its name suggests an organization to promote the building of houses (primarily

<sup>53</sup>. See Charter 427/1953. Both companies had a nominal capital of Rp. 10 million. A mixed "national" printing enterprise, N.V. Grapica-Indonesia, was owned 50:50 by the B.I.N. and N.V. Handel Mij. "Intraport", which latter company managed the new concern. Arrangements for the Kebajoran press as a joint enterprise were initiated under Finance Minister Wibisono. Antara, 4 Sept. 1952.

<sup>54</sup>. Tobing, Sumatera Utara, pp. 183-188; R.I.: Propinsi Sumatera Utara, p. 644.

<sup>55</sup>. Antara, 20 July 1954. At the ground-breaking ceremony in July 1954, Dr. Ambio (of the P.N.T. Party Council), a member of Borguin's board of directors, explained that one need not fear that the existence of the new industry or its alien participation contained the seeds of capitalism, for Borguin was to be made into a model company with a labor council.

for government personnel). A major portion of the proceeds from the forced loan to the B.I.N. (the 3% bonds to "Burni" holders) were available to the company, which was also empowered to supervise the construction of buildings and Government projects and to promote the building materials industry.<sup>56</sup>

The construction industry was also the focus of activities of the third of Indonesia's Big Three entrepreneurs (all in Djakarta). Whereas Dasaad of Dasaad Musin Concern had begun his business career during the last part of the Dutch period, and Ir. Sosrohadikoesoemo of N. V. Intraport had left government to go into business during the Revolution, Ir. Herling Laoh (a Menadonese) waited until the Unitary Republic--having held a Public Works portfolio almost continuously from January 1946 to September 1950. With his background in government and politics (he was a moderate P.N.I. minister), it did not take long to push to the forefront among Indonesian businessmen. He immediately went into construction with his own firm Perintis, which was incorporated as N.V. Perintis A.T.<sup>57</sup> and developed it into the international trading arm of his group of companies. With other Indonesians, he organized the Kartel Pemborong Indonesia (Karpi--Indonesian Contractors Cartel). Its members in 1951 set up a company with Laoh as president, to serve as their agent, and the following year this concern was converted into a construction company itself with the name N.V.

---

56. See Charter 749/1953; B.I.N. Report pp. 13, 24-25. David CHENG was appointed President of N.V. Pembangunan Perumahan; Margono became Chairman of the board of directors and Mr. R. Achmad (a B.I.N. official) and the Treasurer General; Soetikno Slamet; board memberse

57. Laoh spent much time on choosing the names of his companies. Since the key name "Perintis" (pioneer) had been already acquired by a Palembang trading corporation, he incorporated as N.V. Maskapai Dagang dan Bangunan "Perintis Asia Tenggara" (lit. "SoutheastAsian Pioneer" Trading and Construction Company); the term "Asia Tenggara" he borrowed from his early partnership, "Bromo Concern--Asia Tenggara". As was popular with a number of Indonesian companies, the key name "Perintis" was made to form an abbreviation, of "Perusahaan Industri Tambang Insinjur Sipil" (Industrial, Mining, and Civil Engineering Company). Charter 6687/1952e

Birokarpi,<sup>58</sup> which quickly became the leading national Indonesian construction company with government contracts on a number of leading projects.

The third principal arm of the Laoh group, with which a number of other enterprises were connected, was N.V. PAKA,<sup>59</sup> which was the first mixed enterprise directly between the Indonesian Government and a private Indonesian company. The state, through the Ministry of Public Works and Power, held Rp.3,000,000 of its initial capital and N.V. Perintis A.T., Rp. 500,000, with the option of acquiring more shares (but not a majority) from the state. Laoh was president of the new corporation, while four of its seven board members were ministry officials, headed by Secretary General Putuhena as board chairman. PAKA manufactured prefabricated wooden building sections and other building materials.

With other Menadonese businessmen Laoh founded in Djakarta and became president of P.T. Perusahaan Keramik Broma Maesa originally to produce ceramic ware. However, its plant at Bandung soon became a major producer of hollow bricks from trass.<sup>1</sup> In 1953 N.V. Perintis A.T. secured a permit to extract trass from the Anak Krakatau crater in the Sunda Straits to be manufactured into hollow bricks by its sister company.

Towards the end of 1950, several months after he had left government service, Laoh visited North Sumatra with Vice President Hatta.<sup>60</sup> He especially

<sup>58</sup>. "Birokarpi" was originally the abbreviation of "Biro Kartel Pemborong Indonesia". When the corporation charter was amended to make the company a principal operator rather than an agent, the abbreviation was retained, but an unwieldy new formal name was constructed: "N.V. Biro Insinjur (Oktuplus)Arsitek dan Pemborong Indonesia". Charter 1294/1952.

<sup>59</sup>. "PAKA" is the abbreviation of "Pabrik Kayu" (Wood factory or Lumber mill); its complete name was P.S. Maskapai Dagang dan Industri Kayu "PAKA" (PAKA Lumber Industrial and Trading Corporation). Charter 1293/1952.

<sup>60</sup>. Ichtiisar Indonesia Sepekan, 18 Dec. 1950.

made an effort to visit the Siharimau (Wilhelmina) Falls on the Asahan River." Thereafter, he became the prime mover behind reviving the Asahan industrialization plan. With movies of the T.V.A. in the United States, he became the leading promoter of similar valley development projects in Indonesia.<sup>61</sup>

#### Indonesianization of Existing Factories

In the post-transfer of sovereignty period, besides the partial and at times unlegalized operation of a number of enterprises in interior regions abandoned by their proprietors, a handful of comparatively important factories were legitimately Indonesianized. In the Jogjakarta region were two examples of factories which played an important role in the region and which were sold out by their Dutch owners! In 1948, the owners of the well-known N.V. Negresco cigar factory, then under operation by the Badan Industri Negara, offered to convert it into a mixed enterprise and to sell half of its stock to Indonesians--to its own workers, to farmers, villages, and the Special District. The transfer of sovereignty passed without any decision, for the Republican Government at Jogjakarta had indicated that large industries had to be rebuilt under the ownership of the state or an autonomous region or by mixed capital,<sup>62</sup> and the Special District demanded a 51 percent share of the ownership.<sup>63</sup> Not until two years later was the company bought by the Special District Government! Its

---

61. Another engineer, Pangeran Moh. Noor (Masjumi), during the debates on the Natsir cabinet's program strongly recommended that T.V.A.'s be built in the three principal valleys of "Kalimantan". R.P. 1950, pp. 1202-1214.

62. Explanation of the Halim Cabinet Program, 8 and 16 Feb. 1950, Kabinet Republik Indonesia, pp. 69, 127-128.

63. Harmani speech, 29 Sept., R.P. 1950 pp. 786-787. Harmani was premature in reporting in December 1949 that an "agreement for a 51:49 Indonesian: Dutch participation had already been reached. Cf. Antara, 14 Dec. 1949!"



name was changed to N.V. Taru Martani. Retaining its pre-war manager (van Habraken) and with Professor Kertanegara as supervising director appointed by the regional government, the factory resumed production of its quality cigars. At the same time that it acquired the Negresco plant, the Government of the Special District of Jogjakarta bought out (with the assistance of a Bank Industri Negara loan) the N.V. Constructie-winkel de Vorstenlanden and renamed it the P.T. Perusahaan Besi Daerah Instimewa Jogjakarta (Perbedij). Its production of agricultural implements and other metal goods, however, remained at a low level largely because of inexperienced management and surplus labor.<sup>64</sup>

In Djakarta itself Indonesians entered the metal vessels construction business when the Carya Ship Building Company on 2 January 1952 bought out the Dutch-owned N.V. Scheepwerf Antjol. Under the name Carya Shipbuilding Coy Antjol N.V., managed by R. Mardanus, and with a government subsidy, the new company gradually expanded output of small and medium-sized vessels, and thus became one of the largest private Indonesian enterprises with alien origins.<sup>65</sup>

In 1954, by which time foreign exchange for imports (including imports of industrial materials) had become quite scarce and pressure by officials controlling the licensing of such imports--aimed at inducing alien companies to appoint Indonesian distributors--was at a peak, the N.V. Philips Fabricage en Handel Maatschappij was compelled to close down its Surabaya plant and to concentrate

---

<sup>64</sup>. Antara, 3 Sept., 2 Oct. 1952; interview by Selosoemardjan, Ithaca, 17 May 1958. The regional government initially invested Rp. 3.6 million in the combined enterprises. The metal goods plant at Jogjakarta had been better known locally as "Pabrik Watson".

<sup>65</sup>. See Charters 318 and 474/1954. N.V. Scheepswerf Antjol was a subsidiary of the Ingenieurs- en Handelsbureau "Kerner" of Bandung. Only indigenous citizen and Indonesian organizations were allowed to hold stock in the new corporation.

In Djauana, the "Taat" shipyards were nationalized. Meek, The Government and Economic Development in Indonesia, 1950-1954, p. 204.

production in its Bandung plant which had been opened the year before. Under such circumstances many another foreign-owned company reconsidered the advantages and disadvantages of continuing operations in Indonesia. Only one major company, however, liquidated its Indonesian manufacturing properties and sold out to an Indonesian party. When the General Motors Corporation decided to dispose of its assembly plant in Tandjong Priok, the Bank Industri Negara bought the property and early in 1955 organized P.T. Gaja Motor to put it back into operation. Since the I.S.C. was already its subsidiary, the B.I.N. thus came to control Indonesia's two oldest and largest automotive assembly plants.<sup>66</sup>

In the outer islands relatively few alien factories were transferred to Indonesians. One enterprise which was both a new Indonesian undertaking and a former alien one had an unusual itinerary in East Sumatra. The ramie spinning mill built at Pematang Siantar by the Japanese late in their occupation had continued in operation until mid-1947. During the N.S.T. period, it was dismantled and moved to another estate, where it came under the control of the Institution for the Restoration of Property. In 1951 the machinery was bought by the Sungai Agul company, an Indonesian concern, which set it up in Medan. A number of government agencies on the regional and central level, including the B.I.N., contributed to efforts to promote ramie cultivation in East Sumatra, and the company was provided with a loan in order to supplement its machines with new equipment from Japan.<sup>67</sup>

---

<sup>66</sup>. Bank Indonesia Report, 1954-1955, p. 148; Nan Amstutz, Development of Indigenous Importers in Indonesia 1950-1955 (in process), ch. I; Neek, op cit., pp. 204-205.

Although the Bandung municipality had once approved Philips' plans for expanding its Bandung plant onto surrounding lots, political demonstrations compelled it to abandon its decision. Antara, 30 June 1952. G.M.C.'s asking price was reportedly one million dollars. Antara, 17 Dec. 1954.

<sup>67</sup>. R.I.: Propinsi Sumatera Utara, pp. 644-645; B.I.N. Report, pp. 24, 49.

In parts of Kalimantan, Indonesianization started with sawmills, when several belonging to Java Hout in the Kapuas and Pontianak regions passed to Indonesians.<sup>68</sup> Subsequently, the country's largest sawmill, Bruynzeel-Dajak, was renamed P.T. Sampit-Dajak. During 1954, the Government, in an effort to Indonesianize an area where the indigenous business force was quite weak, reportedly used inducements to cause a number of Chinese factory operators in West Kalimantan to turn over their businesses--including a number of coconut oil mills--to Indonesians.

#### Ethnic Distribution of Some Industries

Despite such occurrences as the above, there was still comparatively little Indonesianization of the ownership of manufacturing--unlike events in the importing sector. That Indonesians continued to play a minor role (albeit a growing one) in the manufacturing of a number of regions may be inferred from the fragmentary statistics that have been published.

Limited data providing an ethnic breakdown of ownership of Indonesian industries (regardless of size) are available for certain provinces for the year 1952. Among a total of nine registered industrial categories in East Java, 140 were listed as Indonesian-owned, and 434 as alien-owned. By kabupaten the numbers ranged from 6:1 in Ponorogo, 15:3 in Lamongan, and 5:1 in Pamekasan in favor of Indonesian enterprises, through 20:42 in Malang and 40:161 in Surabaya, to 4:26 in Djember, 1:9 in Djombang and Tulungagung, and 2:23 in Probolinggo in favor of alien factories. Throughout the province aliens had an edge of 138 to 16 for rice mills, 116 to 34 for printing presses 24 to 0 for ice plants, and 6 to 0 for machine-made cigarette factories, but

---

<sup>68</sup>. Republik Indonesia: Propinsi Kalimantan, p. 181.

only 95 to 85 for weaving mills.<sup>69</sup>

In North Sumatra, Indonesian industrial operators outnumbered aliens only in Tapanuli, where they accounted for 65 percent of the enterprises to 34.5 percent Chinese, and 0.5 percent "other aliens". In Atjeh, the Chinese led with 64.5 percent to 35 percent (and 0.5 percent for other aliens), while in East Sumatra, the Chinese accounted for 72 percent, to only 25 percent for Indonesians, and 3 percent for other aliens. In the important rice milling sector, the Chinese led in East Sumatra 231 to 107, but in Tapanuli and Atjeh, the Indonesians led 111 to 11 and 49 to 13, respectively. In the printing sector, the province had 36 Indonesian printing presses compared to four Dutch (all in Medan) and ten Chinese. However, the output capacity of the Dutch surpassed that of each of the other two groups.<sup>70</sup>

The province of South Sumatra had yet another kind of ethnic breakdown. Of 1108 enumerated industries (small-scale included), 635 were owned by Chinese, 423 by Indonesians, 18 by Arabs, 15 by Europeans, and 19 by others. Of 153 ricemills throughout the province, 116 were owned by Indonesians and 32 by Chinese and 1 by an Arab; of 80 saw mills, 60 were Indonesian, 15 Chinese, 4 Arab, and 1 European. But in most other fields, including food-processing, the Chinese led. Among the Karesidenan, in Lampung, 53 percent of the industries were Indonesian and 44 percent Chinese; in Bengkulu, 51 and 40 percent, respectively; in Palembang 43 and 51 percent, respectively; in Bangka and Belitung only 9.5 and 88.5 percent Indonesian and Chinese respectively.<sup>71</sup>

---

69. R.I.: Propinsi Sumatera Utara, pp. 643-644; R.I.: Propinsi Djawa Timur, pp. 238-244.

Of the province's 47 warehouse companies, all but two were alien owned. Most of the alien factories in the province were Chinese, there were also many Dutch and Arabs.

70. R.I.: Propinsi Sumatera Utara, pp. 643-644.

71. R.I.: Propinsi Sumatera Selatan, pp. 418-422.

During the forties numerous small, sometimes primitive industries had arisen in Indonesia to manufacture commodities formerly imported. From 1950 on, however, they had to compete with cheap imports.

Indonesia's most numerous industry which competed directly with its counterpart in other countries was the weaving industry. At the time of the establishment of RIS, its weaving mills possessed 67,161 hand-loom and 10,590 machine looms. This was a significant increase from the twenty thousand and six thousand looms, respectively, at the end of World War II, and the 49,316 and 7600, respectively registered in 1867 mills at the time of the Japanese invasion. By the beginning of 1951, the number had risen to 72,025 hand-loom and 11,267 machine looms (of which 8307 were double-width) in 2537 weaving mills of all sizes. Yet data available at that time showed that whereas the share of the Europeans and Arabs in this production had fallen, that of Chinese operators rather than Indonesian had risen the most.<sup>72</sup>

Table 41: The weaving industry in Indonesia by Nationality of Owners, at the start of 1951.

Nationality	Weaving mills	Mechanized looms	handlooms
European	1%	30%	1%
Arab	10	17½	19
Chinese	19½	44½	40
Indonesian	69½	8	40

For the next several years, however, the weaving business of Indonesians experienced a recession, since their high-cost product made principally with hand-loom could not compete with the textiles being freely imported by "benteng" importers. At the same time the number of machine looms gradually rose, and companies with such looms (principally, Chinese, Anglo-Dutch, and Arab) benefitted from Government orders for textiles. By the end of 1955, however,

<sup>72</sup>. Speech by A.A. Achsien, 5 June, I.P. 1952, p. 609; Java Bank Report 1951/1952, p. 189; cf. Table 6



the number of hand-loom had risen to 78,857 and of machine looms to 12,697.<sup>73</sup>

### Indonesianization of Rice Milling

Data such as the above confirms the importance of the Chinese group--whether or not subsequently citizens of Indonesia--in the country's industrial sector. Some of the Chinese factories had been operated by Dutch or other aliens before the war. Similarly, most Indonesianization described above and pertaining to factories acquired from aliens had been at the expense of the Dutch.

In 1954, however, a new kind of industrial Indonesianization was inaugurated at the expense of the Chinese. Moreover, unlike the piecemeal kind of process described above, where the alien seller and the Indonesian buyer had not been subject to direct pressure from the Government, the Government itself announced a new wholesale Indonesianization of a specific industrial sector. Already on 5 May 1952 the Emergency Law concerning the Obligation to Mill Paddy had been put into operation authorizing the Government (Minister of Economic Affairs) to control the production of rice mills which came under the 1940 Rice Mill Regulation,<sup>74</sup> most of which were owned by Chinese. In Parliament Achsien criticized both this regulation (drafted when Wilopo had held the Economics Affairs portfolio) and a related regulation against hoarding rice as unworkable.<sup>75</sup>

The regulation remained, nevertheless. Two years later, however, came the even more drastic "Paddy-milling and Rice-polishing Restriction Regulation"

---

73. Cf. annual reports of the Java Bank and Bank Indonesia; "Wilopo Cabinet" in Chapter XXV. Sakirman (P.K.I) and Sarino (P.N.I) issued a report blaming the depressed condition of the Indonesian "national" weaving industry on "alien monopoly capital" at home and abroad. I.P. 1954, p. 673. For development in the batik and kretek industries, see "Batik and Kretek", in Chapter XXIV.

74. "Undang2 Darurat No. 7/1952".

75. Speech, 5 June, I.P. 1952, pp. 610-611.

(Government Regulation No. 42 of 1954), which, superseding the 1940 regulation in its entirety, aimed at breaking the dominant position of the Chinese in that industry. Already for some time before this regulation no new rice-milling licenses had been issued to Chinese or Indonesian citizens of Chinese descent. In addition to any purely economic motives for the regulation, the "national economic policy" was cited which "required that enterprises operating in the foodstuffs sector not be controlled by persons 'who are citizens other than citizens of Indonesia'" /sic/ and which demanded that a "balanced middle class" be developed. The text of the regulation itself specified that an application for a rice-milling license could be rejected as not in accord with the economic interests of the State if its granting would be neither in the interests of the supply of foodstuffs nor in harmony with the "economic or social circumstances" of the State or the respective region nor contrary to the development of the balanced middle class. Four nationality provisions were then listed:

(a) the entrepreneur is not allowed to be a citizen other than a citizen of Indonesia;

(b) if the enterprise is a legal entity, it must be legalized according to Indonesian law and its members are not allowed to be citizens other than citizens of Indonesia;

(c) the capital of the enterprise must be the property of citizens of Indonesia and may not be controlled by persons who are citizens other than citizens of Indonesia;

(d) no rights involving the enterprise (whether complete or partial, direct or indirect) may be held by persons who are citizens other than citizens of Indonesia.<sup>76</sup>

Thus Minister of Economic Affairs Iskaq was empowered by Government Regulation No. 42, in implementation of the 1934 Industrial Control Ordinance (authorizing the government to license industries), in effect to Indonesianize the rice-milling industry. The new regulation went into effect in general on

---

76. "Peraturan Pemerintah No. 42/1952" and "Pendjelasan". The under-scored portions, inserted by this writer, are literal translations.

11 June 1954,<sup>77</sup> but not until nine months later for mills then operating under old licenses; the minister was also authorized to grant provisional licenses for a period of adjustment. The nationality provisions (cited above) drafted by Minister Iskaq were apparently both discriminatory and ambiguous. They appeared to be aimed against not only aliens, but dual nationals, i.e. persons who held both Indonesian and Chinese citizenship. Thus not only (1) residents of Indonesia who never had a claim to Indonesian citizenship, and (2) residents who had renounced their claims to Indonesian "citizenship" by 27 December 1951, but also (3) residents (virtually all of Chinese origin) who had passively accepted Indonesian citizenship, while not renouncing any Chinese citizenship, were excluded.

The protests of rice mill operators, who were thus "encouraged" to take indigenous Indonesians into their companies, especially those who claimed Indonesian "citizenship," were loud and strong. Whereas the injured party in the subsequent new wharf and warehousing regulation was largely foreign companies controlled by persons or corporations domiciled abroad, in the case of rice-mill operators it was largely a group of Indonesian citizens. And so the issue of discrimination between groups of Indonesian citizens was again raised. To overcome this difficulty, the final clauses of the nationality provisions of the regulation were amended effective 2 December 1954 to: "must be citizen(s) of Indonesia" in sections (a) and (b), and "who are not citizens of Indonesia" in sections (c) and (d).<sup>78</sup>

According to Government Regulation No. 42 of 1954, Indonesianization of

---

77. The effective date of the regulation was also ambiguous. It (perhaps in a drafting oversight) referred to the date of signing by the President, whereas legislation customarily became effective on the date promulgated by the Minister of Justice (in this case 2 July 1954).

78. "Peraturan Pemerintah No. 60/1954".

the existing ricemills should have been completed by 11 March 1955. However, by that time, Indonesians had acquired outright only a fraction of the Chinese mills. In addition, some Indonesians had leased mills, and several mixed enterprises had been set up. In view of the financial incapacity of Indonesians to take over all the rice mills, the Ministry of Economic Affairs thereupon issued one-year temporary licenses to the Chinese mill operators. 79

### Industrial Promotion Schemes

Outside of the government ministries and later the State Planning Bureau, several private and semi-official organizations of Indonesians did their bit to encourage the establishment or sound operation of Indonesian industrial enterprises. The first to operate after the transfer of sovereignty, of course, was DEIP, which under R. Roedjito and Suchjar Tedjasukmana worked to promote all kinds of Indonesian business activity. Although because of the nature of the Indonesian society DEIP was most active in trade, its Industrial Section under Ir. Dipokusumo (former head of the P.K.T. and Badan Industri Negara), a DEIP vice chairman, continued its activities to promote Indonesian industrial production.

In October 1952, a semi-governmental body was set up, Jajasan Badan Administrasi Perusahaan (Baper--Business Administration Foundation). Its purpose in general was to serve as a clearing center for administrative services for new Indonesian enterprises. This included inspecting those enterprises which applied for loans from the Jajasan Kredit (and thus also the Bank Industri Negara) in order to ascertain their status as economic risks.

---

79. A.M. de Neuman, "On the Promotion of Indigenous Indonesian Industries with Special Reference to Credit Facilities for Private Businesses and for Local Government Enterprises," Ekonomi dan Keuangan Indonesia, IX (1956), p.695. By March 1956 many of the temporary licenses had been extended another year, but with the proviso that within that period the Government Regulations had to be complied with.

Several of Baper's proposed tasks concerned foreign capital, including:

- a. to set up corporations with national capital in order to operate businesses or, if they were still in foreign hands, to purchase and continue operating them;
- b. to set up corporations with mixed capital (51:49) for purposes specified in a.;
- c. to buy shares of foreign companies on the stock market...and sell them to bonafide citizens. An effort will be made to prevent such stock from falling into the hands of fronts for aliens;
- d. with the approval of the party concerned, ...to endeavor to collect nationalecapital for alien companies needing additional capital for expansion;
- e. with the approval of the party concerned, ...to endeavor to collect national capital under provisions such as above for alien companies needing additional money for rehabilitation...<sup>80</sup>

Notosoedirdjo was appointed manager of Baper, and the following became members of its Administrative Board:

R. Soewirjo (former Deputy Prime Minister), Chairman  
 Ir. Darmawan Mangoenkoesoemo (Director General, Ministry of Economic Affairs), Vice Chairman  
 Mr. Soebagjo Djojowidagdo (Chief of Secretariat, Ministry of Agriculture)  
 Ir. Saksono Prawirohardjo (Director, Pusat Perkebunan Negara)  
 Achmad Sunartadirdja (Chief, Department of Industry, Ministry of Economic Affairs)  
 Sulaeman Suriaatmadja (Chairman, Jajasan Kredit)  
 Rahendra Koesnan (Member of Parliament representing P.N.I. and Labor)  
 Mr. Achmad (representative of Bank Industri Negara)  
 Agus Ramedhan (Director of the Budget, Ministry of Finance)<sup>81</sup>

In April 1954, under the auspices of DEIP, the Indonesian Industrial Development Corporation Ltd. was founded. Its purpose was to assist in the industrialization of Indonesia by offering three kinds of services:

1. as an engineering consultative bureau, it will prepare plans concerning operations, organization, and blueprints, and provide cost data for new entrepreneurs in setting up new factories, and will provide plans for improvements in operations and organization for old businessmen;

---

<sup>80</sup>. Panggabean, Menudja Bank Nasional, p. 12.

<sup>81</sup>. Warta Ekonomi untuk Indonesia, V (1952), p. 675. Notosoedirdjo was Chief of the National Mining Products Sales Office



2. as a contact bureau and intermediary, it will attempt to: (1) attract credits and capital for domestic and foreign entrepreneurs from domestic and foreign credit bodies and financiers; (2) facilitate relations between businessmen and government agencies in matters of licenses, accommodations, labor affairs, and legislation; and (3) seek or develop markets for Indonesian manufactures;
3. as a founder of industrial enterprises, it will establish factories where no initiative is shown by others.

Since its twenty-nine promoters felt that the I.I.D.C. could best operate as a self-supporting body, it was organized as a corporation. Ir. Albert Marnix LOEMAN TOBING was appointed General Manager under an Executive Council consisting of Suchjar Tedjasukmana, (President) Ir. Dipokusumo, and Mr. Kosasih Poerwanegara (all DEIP officials), while former ministers Djuanda (Director of the State Planning Bureau), H. Laoh, and Iskandar Tedjasukmana joined a Bank Industri Negara representative on its board of directors.<sup>82</sup>

In February 1955, yet another organization was established to promote Indonesian industry, the Madjelis Industri Indonesia (M.I.I.--Indonesian Chamber of Industry) in Djakarta. In general, its purpose as its name implies, was to work on behalf of its members--Indonesian industries, providing advice, information, and protection and thereby "to improve the industrialist and businessman." Ir. Omar Tusin was chairman of its executive board.<sup>83</sup>

There was a need for such bodies as Baper, the I.I.D.C. and M.I.I., but by the time of the elections the first two had been unable to function properly reportedly because of a lack of a trained staff (despite the luminosity of their promoters), and it was still too early for the M.I.I. to have left its mark on the Indonesian industrial sector.

---

<sup>82</sup>. See I.I.D.C. prospectus. Ir. Omar Tusin was subsequently appointed general manager.

<sup>83</sup>. Industrial Directory of Indonesia, 1957-1958, (Djakarta: Labora Traders Company, 1957), pp. ii-iii, 43-47.

In addition to these purely Indonesian industrial promotion agencies, a bi-national organization was considered following trade negotiations in Djakarta in the second half of 1952, when Japanese businessmen made offers to invest or to establish joint companies with Indonesians.<sup>84</sup> A year later, following approval by the Monetary Board and (in July) the Wilopo Cabinet, plans were drawn up for a development corporation with mixed Indonesian and foreign capital. A Bank Pembangunan Indonesia (Indonesian Reconstruction Bank) at Djakarta was envisaged with 51 percent of its Rp.50,000,000 capital provided from Indonesian sources, represented by Mr. Jusuf Wibisono, and 49 percent converted from dollars supplied by the Ishiware Sangyo Company of Tokyo. It was intended that the development bank participate in establishing new industries and in expanding existing ones.

The bank plans, however, encountered political difficulties. Since reparation talks with Japan had not been making headway, the Indonesian Foreign Ministry later in the year advised the Ministry of Finance to suspend action on the bank. Then, on 21 January 1954, following a visit to Djakarta by Ishiware, dr. Sudarsono (P.S.I.), who as Director for Asian and Pacific Affairs in the Foreign Ministry conducted the reparation talks, sent another letter to the Ministry of Finance stating that the preparations for the bank could resume. There were accordingly expectations that the bank might be established by the end of January.<sup>85</sup>

However, Sudarsono had not obtained clearance from Foreign Minister Sunario (P.N.I.) for his letter. Consequently, since the Ali Government did not agree that Japanese-Indonesian relations had progressed to the point where Japanese businessmen could resume investing in Indonesia, Sudarsono's letter of approval

---

<sup>84</sup>. Antara, 27 Au"., 16 Sept., 17 Oct. 1952.

<sup>85</sup>. Pedoman, 26 Jan., 4 Feb. 1954.

was rescinded,<sup>86</sup> ending for the time being further action on the bank. Shortly thereafter Sudarsono was removed from his position.

During the first year of the Ali Sastroamidjojo administration, Minister of Economic Affairs Iskaq had given most of his attention to ways of Indonesianizing the import trade. Later in 1954, he considered the possibilities of promoting industrialization by a new device. Inflation, which had mounted significantly by the end of that first year in office, was often ascribed by the Government to so-called "hot money"--excess liquidity in the hands of merchants (implying principally the Chinese), on much of which it was assumed taxes had been avoided. Accordingly, in an effort to have this capital absorbed for constructive purposes, a decree was issued in October by Minister of Finance Ong, by which it was declared that hot money belonging to citizens ought to be released for investment in corporations set up to work in industrial fields specified by the Department of Industry. As inducements, it was announced that the origins of such private capital would not be examined and that there would be no claims for back income or personal property taxes.<sup>87</sup>

Sandwiched in with this decree (which in effect would legitimize past evasion of taxes) was a policy statement reflecting the serious drop in Indonesia's foreign exchange reserves. It was declared that in order to aid "citizen businessmen" foreign exchange credits from abroad would be allowed only to those industrial corporations specified by the Department of Industry, and that as far as possible the capital of such corporations had to be mobilized from within the community and so be in the form of "domestic capital"--which could not

---

<sup>86</sup>. Ibid. Approval for establishing this joint bank was finally granted in 1956. Report on Indonesia, May 1956, pp. 3-4.

<sup>87</sup>. Decree of Minister of Finance No. 674/M.K, 9 Oct. 1954. Iskaq had broached this new policy in an earlier speaking tour in parts of Java!

result in transfer of profits abroad.

An emergency law issued in January 1955 formalized the foregoing provisions with a few modifications. Thus the recipient industrial companies were not required to be corporations, and the B.I.N. (which managed the payments of the rupiah countervalues of the foreign credits) was also designated as the agency to absorb hot money by accepting long-term deposits that could then be lent out to the specified industries. It was announced that the opportunity to make such deposits was open only through the end of 1955.<sup>88</sup>

The lack of any sign of success either of this device<sup>89</sup> or of any of its predecessors reflected the fact that much energy expended in planning was being lost so long as the climate for new industrial investments in Indonesia remained relatively unattractive. Consequently, during this period implementation of the State Planning Bureau's "5 Year Plan"<sup>90</sup> was continually postponed. Ironically the investment climate showed little improvement despite the fact that the head of the Government, Prime Minister Ali Sastroamidjojo, had during his incumbency in the Indonesian Embassy in the United States been a most vocal proponent of foreign investments in Indonesia. A major deterrent to further industrial investments, which was commonly alleged in business circles, was the efforts of the minister most directly concerned--Minister Iskaq--to acquire for his personal or party use a portion of the capital or profits of a number of prospective alien industries as well as some already in existence, in return for the grant of necessary licenses or permits. Although his termination from office removed a major source of harassment for the factories of aliens, dual nationals, as well as many Indonesians, by the time of the general elections neither Indonesians nor aliens in manufacturing evidenced any significant recovery.

---

88. "Undang-undang Darurat No. 1/1955", promulgated 22 January 1955.

89. Cf. de Newman, op.cit., p. 701.

90. See Ekonomi dan Keuangan Indonesia, IX (1956), pp. 661-682.

## CHAPTER XX: MINERAL PRODUCTION

Whereas most estates and factories established by foreign capital and not yet returned to their alien proprietors before the transfer of sovereignty subsequently were returned, few mining and mineral properties not already restored to their proprietors by the end of 1949 were returned to them later. Among the reasons for this state of affairs were the feeling in many Indonesian circles that minerals production should be reserved to the government and the demand by some that a new mining law should be composed before further restoration of alien properties as well as extension of expired concessions or the granting of new ones take place. In individual cases the mines lay in insecure areas, labor organizations opposed the return of their proprietors, or the cost of rehabilitating mines long abandoned was prohibitive.

The state of mining affairs periodically was aired in Parliament. Already in April 1950 the RIS Senate's Prosperity and Finance Committee asked for clarification of the government's oil policy. It also wondered about such subjects as whether the Government intended to set up new mixed mining enterprises, to help small Indonesian workings and gold mining modernize, or to develop an iron industry in South Sulawesi.<sup>1</sup>

Since more pressing political and other economic problems demanded attention after the Unitary Republic was first set up, Parliament gave little consideration to mineral matters during the Natsir Government, although a member of the Interior Affairs Committee visiting East Kalimantan noted that the local population did not appear to be happy over the difference between their standard of living and that of the personnel of the Bataafsche Petroleum Maat-

---

1. Ichtisar Parlemen 1950, p. 184.



schappij. One person in Balikpapan had even threatened to burn down the oil company's installations if West New Guinea were not turned over to Indonesia by the end of 1950.<sup>2</sup> During the debates over the program of the Sukiman Cabinet in 1951, however, mineral matters received greatly increased attention. Thus Soedijono Djojoprajitno, speaking for the small National-Communist Partai Murba, even urged that the Government follow the lead of the Iranian Government and nationalize all oil wells.<sup>3</sup>

#### P.T.M.R.I.

During these debates Werdojo (SOBSI) and Hoesomo Scepardan (P.K.I.) broached one of the most controversial economic questions during the period under review--the status of the oil fields in North Sumatra (along the eastern coast north of Medan, principally in Atjeh) and around Tjepu (on the border of Central and East Java), which before the war had been operated by the B.P.M. In June 1949, the North Sumatra oil properties were brought under a united local management, and in August 1949 both these and those near Tjepu came technically under the supervision of the "P.T.M.N. Working Committee" within the jurisdiction of the Ministry of Prosperity.<sup>4</sup> Although thereafter it appeared that the properties would be returned to B.P.M., some leaders of the SOESI oil workers affiliate, the S.E.M., urged that the fields be immediately nationalized, alleging that none of the original Dutch equipment above ground had survived

---

2. Mohamad Saddak report, 13 June 1951, Risalah Perundingan 1951, pp.5006-5007. Saddak noted that the B.P.M. owned the local utilities.

3. Speech, 31 May, R.P. 1951, p. 4226.

4. Annex to Hoesomo Scepardan speech, 12 June, R.P. 1951, pp. 4901-4905; R.P. 1952, pp. 454-455; R.I.: Propinsi Sumatera Utara, pp. 530-531.

the Dutch scorched-earth policy, the Allied bombings of Japanese repairs, and local scorched-earth measures after the Dutch military actions. Although most of the B.P.M. capital goods in North Sumatra had disappeared, the proponents of nationalization suggested that production would entail few new capital expenditures since 175 wells were self-flowing and foreign buyers of oil could pump it aboard their own tankers at Pangkalan Susu, providing new oil equipment in return. Not only would the employed and semi-employed local personnel be provided with work, but three thousand inactive workers from Tjepu could also be placed there, it was said.<sup>5</sup>

Meanwhile, during 1950 under Minister of Trade and Industry Manu of the Republic at Jogjakarta and Ir. Anando, a plan was drafted to reunite the North Sumatra and Tjepu oil enterprises under a central petroleum administration. The purpose of this plan was reportedly to restore production, to provide work for the workers, and to end the near-chaotic conditions in the management resulting from obscure authority, especially in North Sumatra, thereby improving the central government's control. The petroleum administration was to facilitate the restoration to the Dutch proprietors if the conditions for the return were met. However, it reportedly would be ready to continue operations itself if B.P.M. was not in a position to return. Among oil worker groups anticipating this latter contingency, it was even planned to delay restoration preparations while endeavoring to improve operations, in order to prove to the Government and the public that the oil enterprises could be well run by Indonesian personnel and thereby provide an inducement for nationalization.

---

<sup>5</sup> Werdojo speech, 1 June, R.P. 1951, pp. 4343-4344. S. Narto later reported that damage to the oil installations in Atjeh had been lighter than that in Langkat! I.P. 1954, p. 1175

However, before this "Jogja Plan" could be implemented, the Unitary Republic had been set up, and the plan was not acceptable to the new government and the Ministry of Trade and Industry under Dr. Sumitro. Since the Government considered the oil fields legally the property of E.P.M. under the terms of the Round Table Conference agreements, the ministry rejected demands of those labor groups calling for government intervention, disclaiming authority in the matter.<sup>6</sup>

After several more months of discussion without results, in January 1951 Mr. Nirwonojudo (manager of the P.T.M.N. operations at Tjepu), with S.B.M. backing, went ahead under the old plan to establish--~~still~~ allegedly under the jurisdiction of the Ministry of Trade and Industry--an administration with the name Perusahaan Tambang Minyak Republik Indonesia (P.T.M.R.I.--Republic of Indonesia Petroleum Enterprise) and informed the Ministers of Trade and Industry and of Labor of this step. Nirwonojudo proceeded to North Sumatra during the interim before the installation of the new governor and attempted also to incorporate the much more extensive oil works in that province into the P.T.M.R.I. The Ministry of Trade and Industry, however, disavowed this somewhat syndicalist move in a cable to Governor Hakim of North Sumatra on 9 February and, having learned of plans for shipping petroleum from North Sumatra to Singapore, instructed the Governor to stop such exports. Accordingly, the office set up in Medan by Nirwonojudo and the S.B.M. was raided on charges of

---

<sup>6</sup>. Sarikat Buruh Minyak letter (annex to Werdojo speech, 12 June), R.P. 1951, pp. 4846-4848.

smuggling, and the P.T.M.R.I. Director flew back to Java.<sup>7</sup>

Finally on 1 March 1951, the Ministers of Trade and Industry and of Agriculture (Sumitro and Manu, respectively) issued a joint decree liquidating the "Central Committee" and "Working Committees" (which since September 1949 had been supervising work of the "N" Boards) and stipulating that operations or maintenance of the individual enterprises affected remained under the management of the respective "N" Board (state-trust).<sup>8</sup> This in effect reactivated the old P.T.I.N.--but in its new form as the P.T.M.R.I.--with jurisdiction over the oil enterprise at Tjepu. In North Sumatra, however, following instructions from Minister Sumitro, Governor Hakim confirmed the appointment of Djohan as general manager of the oil installation in Kabupaten Langkat (East Sumatra) and of Tengku Amir HUSIN Al Mudjahid as general manager of those in East Atjeh. The managers were instructed to facilitate the return of the oil installations to the owner.<sup>9</sup>

---

7. Ibid., pp. 4848-4850; S. Narto speech, 26 Nov. 1954, I.P. 1954, p. 1175. On 23 January Nirwonojudo attempted to place Djohan, manager of the Langkat installations, on inactive status.

The raid was connected with a report of a Communist attempt to smuggle oil to Communist China. Werdojo asserted, however, that the export had been licensed by the regional government.

8. Cf. Labor Minister Tedjasukmana statement, 12 Feb., R.P. 1952, pp. 456-458. The joint decree was made retroactive to 1 Dec. 1950.

9. Teuku Mada Dalam report, 19 Nov., I.P. 1954, p. 1109; Economic Committee report, 30 Nov., I.P. 1954, p. 1183. The S.B.M., via Werdojo, pressed for a clarification of the status of the North Sumatra oil enterprise. Cf. R.P. 1951, pp. 4840-4841, 4849-4851.

In reply to charges by Werdojo that the Government's intervention against exports of North Sumatra oil had resulted in the loss of hundreds of millions of rupiahs, the Government merely observed that the question of profit or loss should those oil fields be nationalized was still under study.<sup>10</sup>

Conditions at the relatively small P.T.M.R.I. installations in and west of Tjepu, where the SOBSI union Perbum was dominant, although still legally unsettled soon appeared to be comparatively normal. Reconstruction and expansion programs were undertaken, and by 1953 an operating profit was even reported.<sup>11</sup> Although the E.P.M. had resumed operating its oil properties north and east of Tjepu in early 1949, it exhibited little interest afterwards in reacquiring those under the P.T.M.R.I. The more important oil properties in North Sumatra, however, where the oil unions were divided between those favoring nationalization and those feeling that the welfare of the workers lay in restoration to the B.P.M., were before long to become the scene of a major controversy.

#### Teuku Hasan Motion

For several months Mr. Teuku Mohamad HASAN, Chairman of the Trade and Industry Committee of Parliament, had been gathering data on mining and petroleum problems. As former Governor of Sumatra, residing in Medan, and an an Atjehnese, he was especially concerned with the continued ambiguous status of the North Sumatran oil fields. Finally, he and several other members drafted a motion on mining affairs for submission to Parliament.

---

10. Government statement, 15 June, R.P. 1951, p. 5097.

11. R.I.: Propinsi Djawa Tengah, pp. 234-235; Abadi, 4 Aug. 1953. The P.T.M.R.I. operated 252 wells and produced gasoline, kerosene, and solar oil.



He was convinced that the profits of foreign companies, especially oil companies, were too large, and determined that drastic measures ought to be taken to reduce them, without driving the companies off. Shortly after the text of the motion was published, Teuku Hasan discussed the matter with some oil company officials, who suggested that outstanding problems be settled as soon as possible and offered to split profits on a 50:50 basis as in the Middle East. Hasan replied that he would be afraid that in that case "operation costs" would rise so that the proffered ratio would lose any meaning. He suggested instead that the proceeds from production be split 50:50, which reportedly left the others nonplussed.<sup>12</sup>

The draft motion on forming a State Commission on Mining Affairs, stipulated that the Parliament:

I. Urges the Government to form within one month a State Commission on Mining Affairs with the task of:

- a. investigating as soon as possible problems of oil extraction, and of tin, coal, gold, silver, and other mining in Indonesia;
- b. drafting an Indonesian mining law in harmony with present conditions;
- c. providing the Government with its considered opinion on the attitude to be taken by the Government concerning the status of oil extraction in North Sumatra and Tjepu in particular, and other oil production in general;
- d. providing the Government with its considered opinion on the status of tin mining in Indonesia;
- e. providing the Government with its considered opinion on taxes on petroleum products and the fixing of oil prices;
- f. making other proposals concerning mining matters to the enrichment of the State;

---

12. Teuku Hasan speech, 2 Aug. 1951, pp. 5784-5785. Among the co-signers of the motion were Siauw Giok Tjhan and Mr. Iwa Kusuma Sumantri.

Hasan inherited his chair, having headed the Prosperity and Finance Committee of the RIS Senate.

g. completing its report within three months, and submitting it to the Government and Parliament.

II. Urges the Government to postpone all granting of concession and exploitation permits or extending expired permits, pending the results of the work of the State Commission on Mining Affairs.<sup>13</sup>

When the draft motion came up for discussion before the plenary session on 2 August 1951, Hasan gave a lengthy explanation of it." He calculated that if minerals were extracted under optimum conditions, the country would be richer each year by an amount of Rp. 5 billion--roughly half the entire State budget. In such a case, he visualized the tax burden being dropped from the shoulders of the poorer people, large-scale construction projects being embarked upon, and plentiful funds becoming accessible for rehabilitating military veterans. The increased revenue could be used in general for the people's prosperity as was intended by Art. 38, Sec. 3, of the Constitution.

Most of Hasan's speech was concerned with the present operations of foreign petroleum companies in Indonesia. He declared that oil companies were allegedly paying forty percent of their profits to the Government in addition to paying an eight percent duty on exports, excise duties on domestic sales of gasoline and kerosene, as well as a 25-sen fixed duty per hectare of concession land plus a cess of four percent of gross production (provided in Art. 35 of the 1899 Indies Mining Law). Rejecting the claims of some others that the oil companies actually paid up to sixty-five percent of their profits to the Government, he offered a great number of figures to prove that they paid only ten percent to the Government. The chief discrepancy he attributed to the companies' stating the price of petroleum exports at Rp' 100 per ton instead of 50, the rate Japanese buyers reportedly offered for North Sumatran petroleum products. Thus, he calculated that the oil companies grossed on exports

---

13. Ibid., p. 5772.

roughly five times what they had reported.

Hasan then proposed that the provisions of Article 35 of the Mining Law, which brought in relatively little revenue (approximately Rp. 20 million in 1950), be changed. Considering the fixed duty to be inappropriate for Indonesia, he noted that Indonesians were more familiar with "deelbouw" and "maro"--feudal terms under which the tenant shared his products with the landlord on a 50:50 basis--and proposed that the law provide for a 50:50 distribution between the oil company and the state of the proceeds realized from the sale of petroleum products. Hasan then went on to calculate that the Government should also receive proceeds from the excise tax, the export duty--which would be collected only on that half of the petroleum exports charged to the oil companies[sic]--plus the (forty percent) company tax. Under Hasan's formula the real profits of the companies would be reduced to one-quarter of their former size. Nevertheless, he figured that they still might make an 80 to 90 percent profit on their invested capital.<sup>14</sup> By his figures, however, the Government's share of the "profits" would be 78:22. Should the company returns have been accurate, on the other hand, the Government's "share" of the profits would be 94:6--a ratio, perhaps, far exceeding feudal Java or Sumatra at its worse. Under his "maro" system--contrary to his assumptions--Teuku Hasan could

---

<sup>14</sup> Information in the preceding paragraphs is taken from Teuku Hasan's speech, op.cit., pp. 5773-5780. Hasan calculated the 80 to 90% profit for oil companies on an estimated capital of Rp. 1 billion. Were the capital twice that figure, he still felt they would get a superb profit of 45%. Based on his calculations--although he did not put it into so many words--the companies were then getting a 320% return on their capital annually (or 160% if his more conservative estimate were used). The present writer believes Rp. 3.5 billion would be a more realistic valuation on the capital of oil companies in Indonesia in 1951.

not be sure that the oil companies would not "run away".

Teuku Hasan also expressed disapproval of the "let-alone agreements", believing that they resulted in a great loss of foreign exchange for the treasury. Noting that a company (Caltex) was preparing to build a refinery near Manila, he urged instead that the exportation of crude oil be prohibited and that it be refined in Indonesia so that Indonesians would obtain work and increased skills and the state treasury more revenue. He then turned his attention to the problems of North Sumatran and Tjepu oil. Noting that conditions in Tjepu were relatively satisfactory, he deplored the "mess" he ascribed to the ambiguous status of the oil property in North Sumatra. He suggested that with little expense it could be producing a million tons of petroleum annually, and that perhaps the refinery and some of the labor at Tjepu, where there was not much oil, could be moved to North Sumatra to assure production there. He also referred to the assurances of some union officers that if the North Sumatran oil property were nationalized, it would gross half a billion rupiahs annually. Admitting that he was no expert on such matters, he urged that a State Commission on Mining Affairs be formed to study the matter.<sup>15</sup>

Hasan was also unhappy with the tin situation. He suggested that Indonesian receipts might increase by Rp. 1 billion if tin were processed on Bangka instead of Holland and urged that funds be allocated for repairing the domestic smelter. Noting that the Bangka tin mines were being managed by the G.I.B., he called for this state of affairs to be ended soon to avoid a

---

15. Ibid., pp. 5780-5784.

waste of foreign exchange and losses to the state treasury.<sup>16</sup>

Director General Darmawan of the Ministry of Economic Affairs, speaking on behalf of the new minister Wilopo, announced that the Government could accept the proposed motion and noted that the Cabinet in June had decided to set up such a commission as mentioned in the motion.<sup>17</sup>

Muhammad Yamin, who agreed that colonial mining laws should be ended and in general was attracted to the motion, cautioned against attempts to build an economy by confiscating and nationalizing in the manner of Mossadegh in Iran. In general he was attracted to the motion. Moreover, noting that the commission was supposed to complete its work in three months, he observed that the tasks given it, including drafting a comprehensive law, might take up to two years, by which time the Constituent Assembly would probably be working over the mining principles itself. Since he felt the problem of a new mining law to be tied to that of a new agrarian law, he suggested that before mining rights could be determined, a solution to agrarian problems had to be approached.<sup>18</sup> Siauw, one of the motion's drafters, asserted that Yamin need not be so pessimistic, for it was expected that the commission would not be given too much work (sic). It was necessary, he said, that the Government take steps to stop the "swindling" of Indonesia's natural riches"by

---

16. Ibid., pp. 5782-5784. Hasan noted too that the goose eggs in gold and silver production did not help the treasury.

A week later Finance Minister Wibisono told Parliament that Hasan's figures on tin affairs were far from accurate. R.P. 1951, p. 5867.

17. Darnawan statement, 2 Aug. R.P. 1951, p. 5785.

18. Speech, 2 Aug. I.P. 1951, pp. 5786-5790.



immediately cancelling the let-alone agreements, forbidding the oil companies to import goods free from foreign exchange regulations, and supervising more closely the oil price of exports. He urged that Hasan's "maro" formula be used, so that reconstruction projects could be paid for by the country's own means instead of making loans with strings attached that encumbered the common people.<sup>19</sup>

Ir. Darmawan had expressed the Government's approval for establishing the commission referred to in the first article of the Teuku Hasan motion. He failed to mention the second provision which would postpone action on minerals permits. Noting this, and stating that there was alarm that the concession of the G.M.B. due to expire in 1953 might be extended, Sjamsuddin Sutan Makmur asked whether the Government also agreed to the second article of the motion. Darmawan, brushing aside Makmur's question of what were the Government's own views on extending concessions, said merely that the Government felt that the question of granting new concessions or extending old ones should be submitted to Parliament. With that, Chairman Sartono declared the motion accepted unanimously.<sup>20</sup>

Praiseworthy as Part I of the Teuku Hasan Motion may have been in view of the wide variety of mining matters demanding definitive decisions, it was virtually impossible for the State Commission which was formed to carry out its mandate within a reasonably short period. Consequently, Part II of the motion--which was hardly mentioned in the debates--had a crippling effect on some mining development, for it was applied indiscriminately against alien

---

19. Speech, 2 Aug., I.P. 1951, pp. 5791-5792.

20. Remarks, 2 Aug., I.P. 1951, pp. 5791, 5794.

operators (although apparently not against Indonesian companies), even though it was approved primarily with the single concession of the G.I.E. in mind.

#### State Commission on Mining Affairs

By Presidential Decree on 9 October 1951 the State Commission on Mining Affairs was established, although it had already begun working early in September. It was made responsible for drafting an Indonesian mining law in harmony with current conditions and grounded on a national economy. It was also to make proposals on the subject of tin mining in Indonesia and to consider disputes over oil production. It was instructed to finish its work in six months, then report its findings to the Government. To the nine-man commission, four members of Parliament were appointed. Mr. Mohammad Roem (Masjumi) was appointed chairman and Teuku Hasan, vice-chairman.<sup>21</sup>

The six months specified--twice that recommended in the motion--came and went without the commission completing its work. The President accordingly extended its mandate another four months--until the end of June 1952. Subsequently, when Roem was appointed Minister of Interior in the new Wilopo Cabinet, Loekman Hakim (P.N.I.) was moved into the chair.<sup>22</sup> Even after the end of the extended period, however, the commission was far from finished with its assigned work.

#### Large Petroleum Producers

A major subject studied by the State Commission on Mining Affairs was the "let-alone agreements" made between the major oil companies and the

---

21. "Keputusan Presiden No. 81/1951". Other members were Members of Parliament Gusti Djohan, Koesnan, and Sundjoto; Mr. Tandiono Manu, Mr. Loekman Hakim, Ir. Darmawan, and Mr. Kartadjuma (Director General of State Revenue).

22. "Keputusan Presiden No. 96/1952" and "Keputusan Presiden No. 119/1952". Mr. Jusuf Wibisono was appointed as a member when Loekman Hakim was promoted.

Netherlands Indies Government in 1948.<sup>23</sup> The P.K.I., especially had been critical of these agreements for some time. Thus in mid-1951 Moetomo Soepardjo calculated that the Government lost Rp. 1.5 billion in 1950 alone because the oil companies could make exports free from the Indonesian foreign exchange regulations.<sup>24</sup> The Government replied that even though it did not like the agreements, because of their existence it had saved Rp. 293 million instead of suffering a loss.<sup>25</sup>

The let-alone agreement with N.V. Standard Vacuum Petroleum Maatschappij (Stanvac) expired at the end of 1951, and so in 1952 the Government came to control that company's use of foreign exchange. In practice, the Government acquired control over the net foreign exchange proceeds, while supervising Stanvac's foreign trading transactions.<sup>26</sup>

For two more years, the Government and Stanvac negotiated over a modus vivendi. Finally, in March 1954, a new four-year agreement was reached under which the company received a general foreign exchange permit to spend foreign currency for imports and invisible payments necessary to maintain and develop its operations in Indonesia. It was also allowed provisionally to retain

---

23. Government reply to Saroso Harsono inquiry, 3 June, I.P. 1952, p. 572.

24. Speech, 2 June, R.P. 1951, pp. 4624-4625.

25. Government reply, 7 June, R.P. 1951, pp. 4673-4674, 4716. Parliament was informed that a government committee was studying the agreements. As a result of a ruling by the Supervisory Council of the Foreign Exchange Institute the Government reportedly received over Rp. 32 million from the two largest oil companies for foreign exchange certificates covering imports which were not capital goods.

26. Reply by Minister of Economic Affairs Sumanang to inquiry by the Economic Affairs and Finance Committees, 8 Apr., I.P. 1953, pp. 418-419. New foreign exchange was the difference between proceeds from petroleum exports and the sum of payments for petroleum imports (e.g., lubricants) and operating costs.

In reply to a question signed by Siauw (in March 1953), which urged that the other let-alone agreements be cancelled, the Government demurred. I.P. 1953, pp. 402, 404, 419.

foreign exchange earnings. In return, Stanvac agreed to invest 70 to 80 over a three-year period in expansion and modernization projects.<sup>27</sup>

While plans for capital investments were being developed, Stanvac had been pushing its "I-program". By 1955 almost 1000 of its 41,000 employees were active in some training program. Between 1949 and mid-1956 the proportion of Indonesians in all technical, administrative, and supervisory positions had increased by twenty-eight percent, and a large number of job classifications had become Indonesianized.<sup>28</sup>

Yet in spite of the investment program, Stanvac suffered a decline in output, for its reserves were smaller than those of the other two major oil companies. It badly needed to undertake further oil explorations, yet was unable to obtain new exploration permits thanks to Part II of the Teuku Hasan Motion.

N.V. Caltex Pacific Petroleum Maatschappij (Caltex) finally began commercial production of crude petroleum at its "Minas" oil field near Pakan Baru in April 1952, with Minister Sumanang present for the ceremonies. As a result,

---

27. U.S. Department of Commerce, Investment in Indonesia, (Washington: U.S. Government Printing Office, 1956), pp. 41-42. The agreement also covered a profit-split.

Stanvac was granted a 10-year exemption from import duties on capital goods in drilling for and refining petroleum, effective 1 January 1954. "Keputusan Menteri Keuangan", 14 Dec. 1953, Berita-Negara R.I. 1953, No. 104.

28. The Indonesia Project, Center for International Studies, Massachusetts Institute of Technology, Stanvac in Indonesia, (National Planning Association, 1957), pp. 36, 71, 76-77.

Two members of Parliament (Tjoeng and Maruto), who visited the Stanvac refinery in May 1954, reported that the workers were well-paid but that discrimination was shown by company officers toward Asian (including Indonesian) personnel. I.P. 1954, p. 720.

the country set a crude production and export record in 1952.<sup>29</sup> When the Caltex let-alone agreement expired at the end of 1953, it had moved into third place (ahead of NIAM) among the country's leading producers of crude.

Caltex, being a new large-scale enterprise in a relatively sparsely-populated area, attracted workers (many from West Sumatra) with good working conditions and high wages. Many workers left the Government-owned Umbilin coal mine to work with the petroleum company. Since B.P.M. and Stanvac had already been able to serve fully the domestic market, Caltex exported all of its production. Occasionally, suggestions were made that it ought to refine its crude in Indonesia instead of shipping to refineries in other countries.<sup>30</sup> The Government used this as a bargaining point in its discussions with Caltex, but realized in the early years that the large capital expenditures for beginning the production and transport of crude oil precluded building a refinery at Pakan Baru at that time.<sup>31</sup>

At the end of 1953, the let-alone agreement with Caltex expired. In 1954 Caltex signed a new five-year agreement with the Government similar to that which Stanvac had reached. However, Caltex agreed to turn over \$60 million worth of "acceptable" foreign currency to the Foreign Exchange Fund over the

---

29. Indonesian production and export of petroleum set new records in 1953, 1954, and 1955, thanks largely to increased Caltex production! Cf. Bank Indonesia Report 1955-1956, p. 147.

30. Cf. Saroso Harsono speech, 15 May 1952, pp. 368-369.

31. Government reply, 3 June, I.P. 1952, p. 572.



five-year period.<sup>32</sup>

During the period under review, the N.V. Bataafasche Petroleum Mij. (B.P.M.) remained the country's largest producer of crude oil and petroleum products, despite the fact that it did not have access to its North Sumatran concession and much of that around Tjepu. Its let-alone agreement expired at the end of 1955.<sup>33</sup>

The fourth major producer, NIAM, continued under the management of B.P.M. However, at the end of 1953, when Ir. Darmawan left to join the management of Bank Indonesia, Minister Iskaq took the opportunity to Indonesianize further NIAM'S Executive Board. He appointed Mr. Muchjidin Afandi as Darmawan's successor as board chairman and replaced a Dutch vice chairman and one member with Indonesians. Then in 1954 Sediono (former Secretary General of the Ministry of Economic Affairs) was appointed as NIAM General Representative in Indonesia.<sup>34</sup>

---

32. Investment in Indonesia, pp. 41-42; Bank Indonesia Report, 1954-1955, p. 141.

Caltex was granted a 5-year exemption from import duties on capital goods, starting with 1954. "Keputusan Menteri Keuangan", 24 June 1954, Berita-Negara R.I. 1954, No. 57.

33. Both the B.P.M. and NIAM were given 10-year exemptions from import duties on capital goods, effective 1 Jan. 1954. "Keputusan Menteri Keuangan", 10 Feb. 1954, Berita-Negara R.I. 1954, No. 17.

34. "Keputusan Menteri Perekonomian No. 16. 387/M", 17 Nov. 1953, and "No. 16. 524/M", 20 Nov. 1953. See Government statements, I.P. 1954, pp. 335-336, 1272.

North Sumatran Oil: to Nationalize or not to Nationalize?

After an on-the-spot investigation in January 1952 of the former B. . . oil installations in North Sumatra, the State Commission on Mining Affairs submitted its advice to the Government. However, after the cabinet change, Mr. Loekman Hakim (P.N.I.) replaced Roem as the Commission's chairman, and Mr. Wibisono joined the Commission. In a press interview on 2 July, Wibisono declared that he favored the return of the wells to B.P.M. because operation by the oil company would be more profitable to the Government than operation by the Government itself since it lacked necessary equipment. Moreover, the return would be in keeping with existing contracts and concessions. Two-thirds of the Commission's members (Koesnan had withdrawn) were then reported in favor of return, although some of these preferred that conditions be attached. One of the three members strongly opposed to return was Teuku Hasan, who declared that the oil wells were producing less than expected because of the Government's hesitant attitude about providing equipment. Since the Dutch themselves had destroyed the refineries, he felt that the "concession did not pose any problem. To get the oil enterprise into efficient operation, he recommended again that the installation at Tjepu be sent to North Sumatra and that the offer of some Japanese oil companies to supply equipment should be accepted. Coincidentally at that time there was a Japanese trade delegation in Djakarta to discuss settlement of Indonesia's trade deficit with Japan, and the delegation reportedly was ready to settle its claims in return for permission for Japanese investment in oil and other mining.<sup>35</sup>

---

<sup>35</sup>. I.P. 1952, p. 572; Antara, 2 July 1952. Two months later Inagaki, head of the Japanese mission visiting Indonesia confirmed that Japan was ready to sell oil machinery and send technicians. Antara, 16 July 1952

Half a month later it was reported that the Commission had recommended to the Government that the oil wells be returned to B.P.M. on condition that the company pay compensation and fair wages to the workers. The Government, according to the same report, was prepared to accept the recommendation.<sup>36</sup>

In less than a week, however, Antara News Agency reported that "trading circles" in North Sumatra felt that returning the oil fields would be to their detriment and that if the Government retained the oil fields, Indonesian importers would be able to provide goods to their workers.<sup>37</sup>

When some members of Parliament's Economic Committee opposed to the return of the oil wells heard of the reports of the Government's intention, they called Minister Sumanang to give an explanation. In a committee meeting on 7 August which lasted for four hours, Sumanang stood his ground, insisting that the oil wells should be returned to B.P.M. since this would be more profitable to the Government.<sup>38</sup> Four days later Prime Minister Wilopo announced that the Financial and Economic Council, which he headed, had recommended to the Cabinet that the oil wells be returned to B.P.M. and that the Cabinet's position would be in keeping with this recommendation. He expressed his conviction that an agreement with the Economic Committee would be possible.<sup>39</sup>

---

36. Pedoman, 20 July 1952. Pedoman was the daily of the P.S.I., which favored restoring the oil properties to the B.P.M.

37. Antara, 25 July 1952. A rationale given was that Indonesian trade was little carried on around the areas of foreign capital, such as estates. Antara's General Manager (Adam Malik of Partai Murba) and Medan branch head (Mohamad Said of the P.N.I.) favored nationalization of the oil installations.

38. Antara, 7 Aug. 1952.

39. Antara, 12 Aug. 1952. The Financial and Economic Council had made its recommendation on the basis of the Commission's report. I.P. 1953, p. 736.

After hearing Wilopo, Sumanang, and Loekman Hakim (all members of the M.N.T.) the Economic Committee of Parliament got a commitment that before the Government would make a decision on the status of the oil wells, it would first discuss the matter with Parliament or at least the Economic Committee. Then on the thirteenth, four members of the committee left to inspect for themselves the oil facilities in North Sumatra, while two others went to Tjepu.<sup>40</sup>

However, at least one member of the Wilopo Cabinet was opposed to the Cabinet's stand. This was Minister of Personnel Affairs Soeroso, who announced his opposition on 18 August, a week after a speech at the Parindra Congress, in which he took issue with those who allegedly felt that if Indonesians had political power it did not matter who controlled the economy. He declared that unless restrictions were placed on foreign capital--although a country lacking capital had to seek assistance--Indonesia would suffer as it was then doing, for occupying a strategic economic position, foreign capital was stifling the growth of national capital.<sup>41</sup>

---

40. Antara, 19 Aug. 1952; I.P. 1952, pp. 728-729. The Committee's inspection team to North Sumatra consisted of Maruto Nitimihardjo (Partai Murba), Tjikwan (Masjumi), Soemartojo (P.S.I.), and Mr. TJOENG Tin Jan (Partai Katholik); Mr. Burhanuddin (non-party) and Tjugito (P.K.I.) visited Tjepu.

41. Antara, 12, 18 Aug. 1952. At the Parindra congress, Soeroso declared that the party still worked for a socialist society and opposed all forms of capitalism and imperialism. He stated that although it might be possible to combine individual enterprises and a planned economy, he feared that a "liberal economy" based on "individual enterprises" (read: "private enterprises") would lead to a capitalist economy.

In his remarks on the oil wells, he called them essential for the country's welfare and asserted that any temporary gain to the Government from a payment by the oil company, if they were returned, would be insignificant compared to future gains if they were exploited by Indonesians. Experts could be recruited from abroad, he suggested, and capital raised by the state or obtained through a foreign loan.

Several days later Mr. Wirwonojudo, director of the P.I.I.A.I. in an open letter to several political parties blamed the bad condition of the North Sumatran oil wells on their uncertain status and pictured a potential output of a million tons of crude annually after only minor repairs.<sup>42</sup>

The campaign for nationalization came into full swing when the P.N.I. North Sumatra branch demanded that the Government and Parliament put the oil wells under government control within six months, and appealed to the P.N.I. party council and the Parliament faction to promote its demand. Response was immediate from the P.K.I. Central Committee, however, which on the twenty-third announced its backing of nationalization of both the North Sumatran and the Tjepu installations.<sup>43</sup>

Then during the first week of September at a meeting of the P.N.I. Executive Board, attended by members from the North Sumatra Branch and the Parliamentary faction, it was decided that the restoration of the wells to the B.P.I. should be ~~opposed~~. Citing Article 38 of the Constitution, the Party Council recommended that the Government should own the wells and set up a commission to implement nationalization as soon as possible. When asked in a press interview what effect this decision would have on the statement of Minister Sumanang, P.N.I. General Chairman Sidik Djoesoekarto declared that since the minister's statement had been made before the Executive Board had made its decision, he was sure that Sumanang would adapt his views to those of the Executive Board.<sup>44</sup>

---

<sup>42</sup>. Antara, 21 Aug. 1952.

<sup>43</sup>. Antara, 23 Aug. 1952. The party branch chief, Mohamad Said, (also publisher of "Waspada"), operated a bengkel (repair shop) which reportedly traded in scrap iron from the oil fields.

<sup>44</sup>. Antara, 10 Sept. 1952.



On 10 September the findings of the two parliamentary investigating teams were discussed in committee. The team which went to North Sumatra concluded that it would be possible for the Government to operate the wells, temporarily emphasizing the production of crude for export while improvements were being made. It urged that the enterprises there be brought under a single Management Board consisting of three or four experts. The report from the two-man team to Tjepu was more specific, declaring that the oil wells in that region had to be owned by the Government in accord with Article 38 of the Constitution.<sup>45</sup>

Despite the increased political opposition, Minister Sumanang told a press conference on 19 September that from an economic as well as a political angle, returning the North Sumatran wells to B.P.M. would be more advantageous for the country than nationalization. Declaring that he would not follow the example of Mossadegh, he urged that the question not be made one of principle, in view of the different attitude held by the P.N.I. party officers, or else he would feel compelled to resign.<sup>46</sup>

Sumanang held to his views through the P.N.I. Sixth Congress, which met

---

<sup>45</sup>. I.P. 1952, p. 735; I.P. 1954, p. 1186; Antara, 7-8 Oct. 1952. The Tjepu team called for capital assistance from the Government in order to expand output.

<sup>46</sup>. Antara, 19 Sept. 1952. He observed that the Government would have difficulty obtaining oil equipment (whereas B.P.M. had such at its disposal) and that returning the oil fields would mean new investment and more state revenue. If the oil company later was reluctant to fulfill reasonable labor and technical training provisions, he warned, he would then be forced to take a decision which he did not desire. If restored, he added, the enterprise would have to use foreign exchange under state control.

during the second week of December in Surabaya. There Mohamad Said and Saleh Umar from East Sumatra called for implementation of the demands of the North Sumatra Branch for nationalization of the oil wells in that region, which demands the party council had taken over. Since the P.N.I. Party Executive Board assigned liaison officers to each party minister in the Cabinet, the chief liaison officer for Minister Sumanang, Sarino Mangoenpranoto (who was a member of the Parliamentary Economic Committee, and whose various business interests included the Indonesian General Mining Corporation Ltd.), presented the views of the Executive Board on this matter. He declared that since the crude oil in North Sumatra could flow right into the tanks without pumping, it would be wrong not to nationalize it, and that this step could be taken simply by passing a statute expropriating the enterprises in North Sumatra.<sup>47</sup>

Despite Sumanang's arguments, the party congress approved the position of the North Sumatra branch and the party Executive Board. Sidik concluded that the matter had been reduced to one of reaching an understanding between Minister Sumanang and the party.<sup>48</sup> As a result of the failure of the P.N.I. and its top officers to back their ministers in this matter, the matter was put in the deep freeze.

---

<sup>47</sup>. Partai Nasional Indonesia, Kenang-kenangan Kongres P.N.I. ke-VI, (Djakarta, 1954), pp. 126-140. Sumanang, who said that taking over the oil wells around Tjepu could be justified, called the nationalization of those in North Sumatra a matter of timing. Because the state lacked funds, since its revenue was then falling, and also because it was necessary to attract foreign capital, he asserted that it was better to return the wells at that time. Later it might be more propitious to nationalize.

<sup>48</sup>. Antara, 11 Dec. 1952.

North Sumatra Petroleum Coordinator

The following year, the new Ali Sastroamidjojo cabinet broached the subject of the North Sumatra oil installations in the explanatory statement on its program. It indicated that in view of the conflicting needs of foreign investment and planning for nationalization, a final settlement of the problem was being postponed. Regardless of its future status, the Government felt responsible for the existing fate of the installations. Accordingly, it announced that it would immediately make an investigation and aim to improve the management, organization, and production, and to inventory personnel, wells and equipment. It noted that it might utilize the experience of the oil fields around Tjepu, which despite not being returned to the concession holder were operating fairly normally.<sup>49</sup>

At this time, Masjumi became the first party to announce publicly that it favored restoring the oil properties to B.P.M. In the face of Communist charges that it was the defender of foreign monopoly capital, it took its stand, explained Mr. Jusuf Wibisono in Parliament, on the basis of Art. 1 of the Constitution, which declared that the Republic of Indonesia was a state governed by law. Accordingly, Masjumi believed that the property of everyone--citizen or alien--which had been legally acquired should be respected. If Indonesia wished to violate her international commitments, like that at the

---

<sup>49</sup>. Government statement, 25 Aug., I.P. 1953, p. 727. In its reply to the first round of debates on its program, the Government explained that the postponement of a decision over the restoration of the North Sumatra oil properties meant a postponement of a decision about nationalization. It observed that although the report of the investigations by the State Commission and by the economic committee were of value, they were only passing impressions; thus it would make a new and more thorough investigation. Reply, 2 Sept., I.P. 1953, p. 794.

Round Table Conference, he concluded, only she would suffer, for the outside world would no longer have faith in making agreements with her.<sup>50</sup>

Ignoring this declaration, the Ali Sastroamidjojo Government continued to prepare to undertake steps of its own. However, barely a month after it had taken office, and before it could take action, the situation around the oil installations in East Atjeh suddenly became extremely confused, for General Manager Husin Al Mudjahid absconded to join the rebellious forces of Tengku Daud Beureueh.<sup>51</sup> Abdulrachman, Husin's deputy, was then on 12 October appointed as the new General Manager by the Governor of North Sumatra. The task he faced was not an easy one, for during the Atjeh Rebellion there were several acts of sabotage and interference in the administration and finances of the oil enterprise, and it lost most of its markets in Atjeh because of breakdowns in communications. In addition, Abdulrachman accused Perbum (Persatuan Buruh Minjak, the SOESI oil union), which was active both in parts of Atjeh and Langkat, of strikes and thefts. In consequence of the distressed financial straits into which the oil enterprise in Atjeh had fallen, as a result of which many of its workers were due several months back pay, the Government granted it a subsidy early in 1954. On the other side of the ledger, it was reported that Abdulrachman's financial reputation was far from good and that even after he had access to the new funds, they were not properly

---

50. Speech, 29 Aug., I.P. 1953, p. 754. Wibisono commented that the Masjumi program of political struggle specified certain branches of production for nationalization, but measures had to be taken according to a plan and according to law.

51. Government statement on the Atjeh affair, 28 Oct., I.P. 1953, p. 938.

accounted for.<sup>52</sup>

It was reported that ~~Abdulrachman~~ in general opposed restoration of the oil installations to B.P.M., while Djohan (General Manager at Langkat), whose administration had reportedly been running smoothly on a self-supporting basis, was amenable to restoration. Similarly the four principal unions to which oil workers in North Sumatra belonged, were also divided on the question. Perbum was campaigning for nationalization; Serbumi (Serikat Buruh Minjak) favored it; and the S.B.I.I. opposed it so long as there were no prior preparations.<sup>53</sup> On 9 December 1953, the S.K.B.M. (Serikat Kaum Buruh Minjak, affiliated with the moderate socialist federation, the K.B.S.I.) announced that it had given the new Government three months to carry out its promises but the Government had done nothing. Therefore, citing the B.P.M.'s expressed readiness to supply capital and technicians for restoring oil production in North Sumatra, the union urged that the concession be restored to the B.P.M. so that it could rehabilitate the oil fields and guarantee the workers a livelihood.<sup>54</sup>

---

52. Teuku Muda Dalam report, 19 Nov., I.P. 1954, p. 1110; Nirwonojudo letter to Min. Iskaq, 31 May, I.P. 1954, pp. 1122-1123; Economic Committee report, 29 Nov., I.P. 1954, pp. 1180-1181. Abdulrachman reportedly had even mortgaged off the oil enterprise to a Chinese businessman.

53. Economic Committee report, 29 Nov., I.P. 1954, pp. 1183-1185; Nirwonojudo letter, op.cit., pp. 1123, 1125. Serbumi was close to the P.N.I., and the S.B.I.I. was connected with Masjumi.

54. Antara, 9 Dec. 1953. The S.K.B.M. suggested that the concession could be restored on terms beneficial to the state, labor, and the people and proposed that B.P.M. train Indonesians in technical work so that they could take over if later the oil fields were nationalized. It felt it necessary to explain that its suggestions did not mean that it was anti-nationalist.



Ignoring such recommendations for restoration,<sup>55</sup> Minister of Economic Affairs Iskaq on 15 January 1954 finally appointed a four-man Commission for North Sumatra Oil Affairs to undertake the investigation which the Ali Government had announced in August and to report back and make proposals for putting into effect the improvements the Government had set as its goal at that time.<sup>56</sup>

After the Commission had reported back to him, Minister Iskaq on 12 April decreed that the oil enterprises in North Sumatra thereafter came under the supervision and direct administration of his ministry. At the same time, he appointed Mr. Nirwonojudo (from the Commission) as North Sumatra Petroleum Coordinator, with the task of coordinating the work of the oil installations in Atjeh and in Langkat and combining them into one administration, of assuring that they were operated in accord with the minister's instructions, and (in line with the August announcement) of taking an inventory and improving the organization and production. He was further instructed to carry out a rehabilitation plan so that the oil enterprises could become "self-sufficient operations capable of returning a profit."<sup>57</sup> Although it was not immediately publicized, Nirwonojudo was also entrusted with the task of reorganizing them as a government institute (jajasan).<sup>58</sup>

---

55. About this time, when P.N.I. leaders were blocking the establishment of a Japanese-Indonesian development company, there were rumors that the P.N.I. would form a joint company with some Japanese to exploit petroleum in Indonesia. Pedoman, 5 Feb. 1954. Some Japanese had expressed interest in Indonesian petroleum during the latter half of 1952. Antara, 2 July, 16 Sept. 1952.

56. I.P. 1954, pp. 315-316, 334. The Commission was headed by an official of the Department of Mining (Sumantri Purwokusumo), and its members included a member of Parliament (Rasjid Sutan Radja Emas--P.N.I.), a Department of Labor Supervision official, and Mr. Nirwonojudo.

57. I.P. 1954, pp. 334-335.

58. Nirwonojudo letter, op.cit., p. 1129.

This new move by the Central Government was followed up with a subsidy of Rp. 10 million for rehabilitation purposes, as a result of which it was gradually possible to bring about some improvements in production. In the field of labor-management relations, however, conditions quickly deteriorated.

On 13 April Nirwonojudo proceeded to North Sumatra and met with the two general managers to discuss means of carrying out Minister Iskaq's instruction and of uniting the two enterprises into a single North Sumatra Petroleum Enterprise under his central office at Medan. Since the fiscal administration of the Atjeh enterprise remained in a relatively deplorable state despite the cash infusions from the Government, Nirwonojudo decided after some qualms to replace Abdulrachman (a member of the "anti-restoration" front) with the Perbum branch chief for Atjeh (Bachtiar Asli), retitling the position "Chief of Langsa (Atjeh) Operations." He then endeavored to match this move by converting the other enterprise into "Pangkalan Brandan (Langkat) Operations". Here he was faced with a quandary, for the Langkat enterprise continued to be well operated, and its general manager, Djohan, was popular with most of his section chiefs and the workers. However, one day some persons visited Nirwonojudo and gave him a blacklist of "traitors to the State's struggle", who were alleged to be agreeable to the restoration of the enterprise to the B.P.M. and supported by the "Opposition" (i.e., the parties not supporting the Ali Government). Nirwonojudo was asked to get rid of the men on the list within six months.<sup>59</sup>

---

<sup>59</sup>. Nirwonojudo letter, op.cit., pp. 1122-1125, 1129; Economic Committee report, op.cit., pp. 1180-1183. One of Nirwonojudo's reasons for hesitating to suspend Abdulrachman was that the latter had the backing of a prominent member of the provincial government who was a member of a Government party. He anticipated (correctly) that Abdulrachman might react to his suspension by joining forces with the "pro-restoration" group.

Sumadhi, head of the delegation with the blacklist (who styled themselves the Teluk Haru People's Committee and were allied with Perbum), was appointed deputy head of the Langkat operations by Nirwonojudo.

The opportunity to act came sooner than Nirwonojudo had allegedly expected, for on 18 May, the day after he had also decreed the liquidation of the Langkat oil enterprise as a separate entity (while permitting Djohan to stay on temporarily as general manager), most of the Langkat section chiefs sent him a letter declaring that they could not accept his interference. Abdulrachman meanwhile announced that he himself had set up a unified North Sumatra Petroleum Enterprise with Djohan as his deputy. Nirwonojudo then took action, and on 21 May suspended Djohan and a number of the section chiefs. Since many of the workers refused to accept these measures, there was a period when two separate oil administrations were operating in Langkat before Nirwonojudo's men obtained complete control. When old workers objected to the Coordinator's actions, new ones were hired under the auspices of Perbum.<sup>60</sup>

The unions opposed to Perbum's aggrandizement at their expense (including Serbumi (the pro-P.N.I. union favoring nationalization) set up a Kesatuan Aksi Buruh Minjak (Oil Workers Action Unit) and demanded Nirwonojudo's recall. In view of the unrest that had arisen, the Economic and Labor Committees of Parliament sent inspection teams together to Medan on 9 July to examine the matter. A majority of the five members on these teams did not strongly favor nationalization. Then on 20 July, the Finance Committee (headed by Moetomo Soepardan--P.K.I.) sent two members, Tjugito (P.K.I.) and Teuku Jusuf Muda Dalam (P.N.I., ex-P.K.I.), to make their own investigation. The inspection team reports were

---

<sup>60</sup>. Nirwonojudo letter, op.cit., pp. 1126-1129; Muda Dalam report, op.cit., pp. 1113-1114; S. Narto speech, 26 Nov., I.P. 1954, pp. 1175-1177; Economic Committee report, op.cit., pp. 1183-1186; Labor Committee report, 29 Nov., I.P. 1954, pp. 1187-1188. The two former General Managers (and their backers) complained that the Coordinator lacked the authority to terminate the mandates issued them by the Governor of North Sumatra. Subsequently, however, Governor Amin confirmed that the old mandates were no longer in effect.

presented to Parliament in November. Since the full Finance Committee refused to accept the report of Tjugito and Muda Dalam as a Committee report, it was presented as a report of two individuals. Their report concluded that a rehabilitated oil enterprise in North Sumatra would be very beneficial to the State and people, and they approved the Government's rehabilitation plans and the efforts of the Coordinator. The Economic Committee's report (in which Mr. Tjoeng--member of the 1952 investigation team--participated) presented conclusions (similar to those of the 1952 team), asserting that the best future of the oil enterprise in North Sumatra lay in expanding production of crude for export (rather than in copying the small extraction and refining for the domestic market done at Tjepu) and in setting up a joint management board rather than a single administrator. On the other hand, it charged that Nirwonojudo's actions were hasty and "inflexible", showed poor judgment, and impaired the prospects of implementing the plan for maintaining production. The Labor Committee, noting that the labor conditions in general were tolerable although not comparable to those at B.P.M. or Stanvac, observed that the psychological atmosphere was poor and that in many cases workers who did not approve of the Coordinator were not well treated. All three investigating groups urged the Central Government to settle the status of the oil installations as soon as possible.<sup>61</sup>

---

61. Abadi, 13, 20 July 1954; I.P. 1954, pp. 1107-1108, 1114, 1179-1180, 1185-1188. Mr. Tjoeng (Katholik) and Ngaradjai Meliala (Demokrat) made up the Economic Committee team, and S. Narto (Masjumi), Nj. Lastari Sutrasno (P.N.I.), and O.K. Ramli (Demokrat), the Labor Committee team. The Economic Committee report noted that the Governor and police of North Sumatra felt that Nirwonojudo should first have discussed the problems with them instead of waiting until after trouble had begun.

As "additional orientation material", Hoetomo Soepardan arranged with the Soviet Embassy for a film showing of oil development at Baku.

On 28 October 1954, between the presentation of the inspection trip reports, Surip NARTO Muljohadipramudjo (Masjumi and an officer of the S.B.I.I.) and several others drew up a proposal for an interpellation of the efforts of the North Sumatra Petroleum Coordinator, especially in regard to the welfare of the labor and the state of the finances under his administration. Among the points touched upon by Narto in explaining his proposal (which largely concerned labor matters) were questions concerning the appointment of Nirwonojudo himself and of some of his appointees. S. Narto referred to Nirwonojudo's attempt to replace Djohan in 1951, and suggested that there might have been some improper dealings in scrap iron from both the Tjepu and North Sumatra oil fields.<sup>62</sup>

After Parliament on 28 January 1955 approved holding the interpellation, Nj. Lastari Sutrasno (P.N.I.) defended the appointment of Nirwonojudo as the logical man because of his experience with the P.T.M.N. and P.T.M.R.I.,<sup>63</sup> and Minister of Economic Affairs Roosseno denied that there had been any wrongdoing connected with the scrap iron sales from the oil installation. In reply to a statement by Mr. Andi Zainal ABIDIN (P.S.I.) that the welfare of labor in enterprises run by the Government should not be less than that in alien-operated enterprises,<sup>64</sup> ~~Minister~~ Roosseno declared that an examination of labor's own

---

62. Speech, 26 Nov., I.P. 1954, pp. 1174-1177. Co-signers of the proposal were Amelz (non-party member from Atjeh, shortly to join Masjumi), Tjoeng and Meliala (of the Economic Committee's team), and Mr. A.Z. Abidin.

While still with the P.T.M.R.I., Nirwonojudo had been director of the Jajasan Logan Tua (Scrap Metal Institute), which the Government had set up to manage the export of scrap iron which had accumulated during the war and revolution. The institute experienced financial difficulties and was liquidated. Cf. Pedomen, 2 Feb. 1953.

63. Speech, 16 Feb., I.P. 1955, p. 77.

64. Speech, 26 Nov., I.P. 1954, p. 1175.



reasons for fighting for nationalization would show no emphasis but on social guarantees. For laborers, he said, working in an atmosphere free from alien influence and operating an enterprise according to their own abilities was worth more than having even perfect social guarantees provided by an alien employer. Acknowledging that the Government had once planned to convert the North Sumatra oil enterprise into a jajasan (government institute), Roosseno declared that since some of the community had misgivings about such a form for Government undertaking, it was being reconsidered.<sup>65</sup>

In view of the still indefinite status of the oil installations and the fact that the Coordinator's appointment was only temporary, Nj. Lastari urged that the Government make a decision on their status. Tjugito declared that "labor and the people" wanted them to be converted into a state enterprise. Soedijono (Partai Murba), on the other hand, inquired whether Masjumi had given up the principle of returning them to B.P.M., and asked whether the Government intended to carry out their nationalization.<sup>66</sup>

Indicative of the fact that Masjumi may have been moving towards a compromise solution, Narto cited the formula for nationalizing vital enterprises in his party's program, which called for carrying out nationalization, taking into consideration circumstances and the state's finances. If the Government felt the time was ripe for nationalization, that administrative and technical leadership and funds were available, he declared, Masjumi would say,

---

<sup>65</sup>. Statement, 1 Feb., I.P. 1955, pp. 29-30.

<sup>66</sup>. Speeches, 16 Feb., I.P. 1955, pp. 76-78.

"Go right ahead."<sup>67</sup> That the Government was not ready yet to force the issue seemed evident when Minister Roosseno--despite Chairman of Parliament Sartono's assertion that Scedijono's question to the Government about its intentions concerning nationalization lay outside the scope of the interpellation--did acknowledge that it was difficult to achieve a consensus of opinion between those who favored nationalization and those who favored restoration to the B.P.M.<sup>68</sup> Under the circumstances the status quo was still provisionally maintained until after the elections.<sup>69</sup>

#### Indonesianization of Tin Production

The question of the contract under which the Government's Bangka Tin Mines had been managed since 1948 by the N.V. Gemeenschappelijke Mijnbouwmaatschappij "Billiton" was also in the mandate of the State Commission on Mining Affairs. Already in 1950, A.M. Jusuf Rasjidi (P.N.I., who had been a labor leader on Bangka), noting discontent on Bangka over the great difference between the pay scales of the two enterprises, reported that Dutch personnel on the pay roll of the state enterprise were being terminated or pensioned

---

67. Speech, 30 Mar., I.P. 1955, p. 203.

68. Statement, 15 Apr., I.P. 1955, pp. 292-293. Roosseno also denied S. Narto's charge that Perbum was being favored in North Sumatra over the S.B.I.I.

69. Bank Indonesia Report 1955-1956, pp. 146-147. A superintendent was appointed at the end of 1955, and following new disputes over management, the Coordinator was dismissed in February 1956. After its appointment in April 1956, the State Advisory Commission on Implementing the Abrogation of the R.T.C. Agreements (headed by Minister of Finance Wibisono) studied the North Sumatra oil question. Following its proposals, the second Ali Sastroamidjojo Cabinet announced on 24 October 1956 that the oil property would not be returned to B.P.M. In line with the Government's decision to continue its control, it reorganized the enterprise as a corporation called P.T. Eksploitasi Tambang Minyak Sumatera Utara (North Sumatran Petroleum Operations, Inc.). Cf. Almanak Umum Nasional 1957, pp. 374-379.

off and replaced by Dutch personnel from the G.M.B. He interpreted such actions as an attempt of the G.M.B. to present the Government with a fait accompli: by referring to its employees in key position as indispensable, it would compel the Government to extend its management contract.<sup>70</sup> To prevent such an extension, in 1951 the Teuku Hasan Motion had been passed.

When Mohamad Saddak (PIR) asked the new Wilopo Government what action it proposed to take in connection with the expiration of the contract due on 28 February 1953, the Government replied that it would make a decision following advice from the Commission. A month later, in July 1952, half of the members of the Commission visited the tin islands.<sup>71</sup> Then in September, the P.N.I. Party Council resolved that all the tin mines should be owned and operated by the Government.<sup>72</sup>

The Wilopo Government eventually decided to terminate the management contract of the G.M.B. for Bangka, while approving a five-year extension of the company's concession on Belitung. Ir. UKAR Bratakusumah (P.N.I., and Minister of Public Works in the Sukiman Cabinet) was appointed General Manager of the Bangka Tin Mines, and whereas a number of key foreign employees were retained, the top Dutch personnel were replaced. Although there were misgivings in certain quarters about the efficiency of the new Indonesian management of what was perhaps the world's largest tin production enterprise,

---

70. Questions dated 8 Dec., I.P. 1950, p. 606.

71. Saddak speech, 16 May, and Government reply, 3 June, I.P. 1952, pp. 398, 572; Antara, 19, 26 July 1952.

72. Antara, 10 Sept. 1952.

1953 became the second best post-war year for production on Bangka.<sup>73</sup>

Later in the year Minister Iskaq began measures aimed at further Indonesianizing the tin mining industry in Indonesia. At the time he appointed Mr. Muchjidin Afandi as Ir. Darmawan's successor as Chairman of the Executive Board of NLM, he made an identical appointment concerning the G.M.B. and placed two Indonesian members on the board in place of former Dutch officials.<sup>74</sup> The changes were intended to be more than nominal, for Minister Iskaq had decided that the Government would end its role as virtual silent partner to the N.V. Billiton Mij. in their mixed-enterprise, the G.M.B.

The N.V. Billiton Mij. (as minority stockholder) had been handling the daily operations of the G.M.B. on the basis of a management contract, which had been automatically renewed each year, most recently on 28 February 1953. In Iskaq's secret instruction to the Government's representatives on the G.M.B. Executive Board, dated 27 February 1954, however, it was made clear that the Government intended to exercise the dominant authority which was its due both as majority stockholder as well as the grantor of the company's concession. The members were obliged in general: (a) to give attention to and safeguard the interests of the Republic which accrued to it in view of its legal relationship with the company; and (b) "to harmonize in the shortest

---

73. John O. Sutter, "Minerals and Petroleum in Indonesia, 1953", Foreign Service Despatch #584, Djakarta, 15 Mar. 1954, pp. 2-3. The G.M.B. had only its fifth best post-war production year for Belitung during 1953.

In 1954, Indonesia achieved a post-war record production of 35,862 tons of tin in concentrates. Bank Indonesia Report 1955-1956, p. 148.

74. "Keputusan Menteri Perekonomian No. 16. 387/M", 17 Nov. 1953, and "No. 16.524/M" 20 Nov. 1953. See I.P. 1954, pp. 334-335.

possible time the status of G.M.B. with the political and economic national desires of the Republic's Government, in accord with the principles in Art. 38, Sec. 3 of the Constitution."

Special tasks enumerated in this instruction were aimed at increasing the Government's control over the mixed enterprise at the expense of the N.V. Billiton Mij. and at facilitating the Indonesianization of its personnel, all of whom had theretofore been connected with the N.V. Billiton Mij. (which had completely controlled personnel matters in the G.M.B.). It was declared that the condition then existing weakened "the bargaining position of the Government should the nationalization of that mixed enterprise be desired." The instruction accordingly provided that G.M.B. work contracts should be drawn up at once and that thereafter employees be hired thereunder, free of personnel ties with the N.V. Billiton Mij. The Executive Board was to have a direct role in personnel matters, and in appointments of new employees "consideration had to be given to the Government's desire to control completely mining enterprises as soon as possible." Consequently, Indonesian citizens were to be trained for positions in the G.M.B.

Other facets of the management which N.V. Billiton Mij. had operated without restriction were also to be limited by the Executive Board. The position of G.M.B. General Representative in Indonesia, which formerly had been held by N.V. Billiton Mij.'s representative in Indonesia, was given to Ir. A.M. Semawi from the Ministry of Public Works. Indonesian citizens were to be placed in the management or on the board of directors of the G.M.B.'s six subsidiaries.

An endeavor was even to be made regarding the management of the G.M.B. itself--which role the N.V. Billiton Mij. had filled by itself--to replace



the Dutch company or at least to get it to accept an Indonesian as a second Manager. Should the N.V. Billiton Mij. be adamant on this latter measure, its management contract was to be terminated as soon as legally possible, e.g.

28 February 1955.<sup>75</sup>

The instructions outlined above were issued, in Iskaq's words, with the expectation that "in the shortest possible time the G.M.B. will become completely controlled by our Government so that the production of every tin mine in Indonesia can be regulated by us ourselves and used in accord with the interests of the state."<sup>76</sup> However, they were only partially carried out during the period under review.

#### Salt Monopoly

At the time of the transfer of sovereignty several government agencies played a role in the salt industry and trade". The old opium factory was converted into a factory for toothpaste and tubes, and the salt production center in Madura (an I.B.W. enterprise) again operated under the name Perusahaan Garam Negeri (National Salt Enterprise). On the distribution side the Zoutregie of the pre-federal period and the Djawatan Garam of the Republic at Jogjakarta were merged by joint instruction of the two Ministers of Finance on

---

<sup>75</sup>. The preceding four paragraphs were from "Keputusan Menteri Per-ekonomian No. 63/M. Rahasia", 27 Feb. 1954 and "Pendjelasan"; see I.P. 1954, pp. 316, 336-339, 1272.

Although the G.M.B. did not have stock control, its Executive Board was also instructed to endeavor to place Indonesian citizens, or at least "its own men", in the management or board of directors of seven subsidiaries of the N.V. Billiton Mij. (some of them inactive) which either operated in Indonesia or were connected with the tin trade.

<sup>76</sup>. Iskaq speech in regard to Tjikwan motion, 20 Apr., I.P. 1954, p. 316. A two-man Parliamentary inspection team (Tjoeng and Maruto) visiting the tin islands in May 1954 recommended that the Bangka Tin Mines be operated in a form more efficient than that of an I.B.W. enterprise. They also recommended that Indonesianization of the personnel in the tin mines on Belitung be speeded up and that the G.M.B. Executive Board be moved from The Hague to Djakarta. I.P. 1954, pp. 675, 717-722.

2 February 1950 into a new DJS Djawatan Regi Garam (Salt Monopoly Service) which took over the old salt monopoly privileges of the Zoutregie. The Salt Monopoly Ordinance of 1941, which remained in effect, did not cover Atjeh, the islands off Sumatra, or East Indonesia (except for North Sulawesi). However, since the salterns of the population in the Rembang-Tuban region along the northern coast of east-central Java, which had performed yeoman service after the first Dutch military action, could not be liquidated without further ado, the territory of the "Negara Republik Indonesia (daerah Remville)" was temporarily exempted from the monopoly regulations.<sup>77</sup>

Subsequently it was decided that the Salt Monopoly Service could operate better as a commercial (albeit still government) enterprise than as a government department, which business form would make it possible also to begin production of caustic soda. Accordingly, on 1 January 1952 the two existing government salt agencies were provisionally merged into an enlarged I.B.N. with the name Perusahaan Garam dan Soda Negeri (National Salt and Soda Enterprise), after which a bill formalizing the change was sent to Parliament. During the debates which opened on 25 July 1952 attention was focused on the Government's salt monopoly, and Abulhajat (Progresif, born in Madura, the primary salt production site) announced that he would introduce a motion concerning it. Mr. Yamin proposed that the monopoly be broadly reviewed, while Subadio Sastrosatomo (P.S.I.) approved it so long as it had a social rather than fiscal nature. Minister of Finance Sumitro replied that the importance of the monopoly lay in its guaranteeing the interests of the public and safeguarding the people's health.<sup>78</sup>

---

<sup>77</sup>. "Pendjelasan Undang2 No. 14/1952", and "Instruksi Bersama mengenai Djawatan Regi Garam", 2 Feb. 1950, in Tambahan Lembaga Negara R.I. No. 389.

<sup>78</sup>. I.P. 1952, pp. 722-723. Members from Madura were especially interested in the subject, for in 1936 the Netherlands Indies Government had expropriated

Strong opposition to the bill came from M. E. Trunodjojo (Masjuri, from Madura), who opposed the Government monopoly ~~and called on the~~ Government to justify wanting to maintain it and to unify production and sales under a central organization". In reply, Minister of Finance Sumitro said that there was an advantage in having responsibility centralized in one agency. If private bodies were allowed to operate, he visualized them seeking maximum profits and ignoring sales in the mountainous and other remote parts of the country. On the other hand, while admitting that there was a shortage of salt under government distribution", he stressed that the government did not neglect sales to the population in the interior and that it iodized its salt. Moreover, he declared, if the Government lost its monopoly it would mean a mass lay-off. Accordingly, the Parliament passed the bill".<sup>79</sup>

The condition under which some parts of Java were under the monopoly of the government salt enterprise and other parts were allowed to produce and sell their own salt led to smuggling and enforcement problems". Accordingly, securing the approval of the Wilopo Cabinet, Minister Sumitro decreed that private salt-work operators in the former Republican (Renville) territory would no longer be allowed to produce after 1 April 1953, rescinding that portion of the joint instruction of three years earlier exempting that territory from the salt monopoly. In justifying this decree, Sumitro, besides repeating the points he had touched upon before Parliament the previous September, cited Article 38 of the Constitution and also mentioned

---

79. Debates, 5 Sept, IP1952, pp. 736-738; "Undang2 No. 14/1952".

reports from the Ministry of Health that the private salt works on the north coast of Java were sources of malaria. The private operators were allowed until the end of the year to sell the salt they had previously produced and were given three months to register the area of their land on which were their salt works in order that they might be compensated by the salt enterprise.<sup>80</sup>

#### Abulhajat Motion

The unpopularity of the government's monopoly in salt among many Indonesians did not go unnoticed in Parliament. Already on 8 September 1952 Abulhajat and others had submitted a draft motion on the subject, although an explanation did not follow until 23 January 1953. Finally, on 18 May, barely six weeks after Minister Sumitro had issued his decree, the long-pending draft motion came up for debate. According to the motion, Parliament should "call on the Government to abolish the salt monopoly as a vestige of colonial exploitation, which no longer is in harmony with the principles of independence and democracy." The explanatory note declared that the salt monopoly gave rise to discrimination between inhabitants of one part of the country (under the monopoly) and those of another part (outside the monopoly), since persons in the latter areas could produce and sell salt to their heart's content while those in the former areas were subject to prosecution for such activities. It was thus proposed to end the discrimination and allow people in the "monopoly" area to regain their rights to make and sell salt like their compatriots in other areas. It was noted that there was a current shortage of salt in the country. This situation could be overcome, it was suggested, if the inhabitants far from the government salt-

---

80. "Keputusan Menteri Keuangan R. I. No. 66646/K a", 31 Mar. 1953.

Compensation was set at Rp.1000 per hectare, 50% to be paid right after registration and the balance after there was evidence that the lands had been changed into sawah or fishponds.

producing regions were allowed to produce their own salt and supply nearby areas. It was observed, too, that whereas poverty was on the rise in areas which climatewise were best suited to salt production, the inhabitants affected could increase their subsistence, and poverty would be reduced, if the monopoly were ended. Finally, it was emphasized that abolishing the government's monopoly would not result in abolishing the state salt enterprise. It was even visualized that with the government and small-scale enterprises of the common people working side by side, the country could not only end domestic salt shortages, but produce surpluses for export and for industrial purposes.<sup>81</sup>

The Abulhajat motion against a government monopoly resulted in a peculiar lineup in Parliament, and perhaps because most parties did not want to commit themselves on an issue where the interests of the "common people" appeared opposed to those of the "state", few spoke out in the debates. The motion's proponents represented an alliance between left-wing socialists and persons with a rather liberal political outlook. The only sponsor to speak at length was Mr. Iwa, who dwelt on the history of the government's salt monopoly, describing its gradual annexation of territory from salt producers among the local population. As an argument in favor of abolishing the Government's monopoly, Iwa cited a previous Government remark to the effect that if the monopoly were removed its more efficiently administered and better equipped salt works would not experience increased competition from smallholder salterns. He also asserted that abolition would activate private initiative among the people and lead to a developed economy, trade,

---

81. "Usul-mosi Abulhajat c.s. ttg. penghapusan monopoli garam", I.P. 1953, pp. 516-517. Other signers of the proposed motion were Trunodjojo and R. Bagioadi LANTJANEGARA (both Masjumi, from Madura) and I.R. Iobo representing Sunda Ketjil) and Mr. Iwa Kusuma Sumantri (both Progressif).



and transport among the people and to increased tax receipts as a consequence". He categorically denied that the abolition would be contrary to the intent of Article 38 of the Constitution; and Mr. Yamin seconded him on this point, declaring that Article 38 spoke only of "controlling", not of "monopolizing", and so it could not be interpreted to reject private salt production.<sup>82</sup>

Maruto Nitimihardjo announced that the Murba faction could approve the motion since the monopoly system was basically ~~bad~~ bad (nie). Moreover, because of the quality of its product, the Government had no need to fear competition by the smallholders. The P.K.T. did not immediately take a public stand. However, Soenardi Ardiwirjono, (a native of Pati on the edge of the Rembang salt producing area), in a reference to the recent action by the Minister of Finance, indicated that the monopoly should not be restored over the Rembang area, to prevent suffering among the population of that area.<sup>83</sup>

On the other hand, various political groups opposed the motion". Whereas two Madurese Masjumi members had co-sponsored the motion, Mas Mohamad Zainal Alim (also a Madurese Masjumi member) opposed it, principally because of the adverse effect which would result on "the smallholders existing outside the existing monopoly area should the Government be free to distribute high quality salt throughout the entire country. Where standards were set, only a few rich entrepreneurs would prosper in the salt business, he warned". Nevertheless, he did urge that the 1941 salt monopoly ordinance be brought more in line with Article 38 of the Constitution". R. T. Soerjoningprodjo, a conservative Madurese who had served most of his life in the pamong"pradja,

---

82. I.P. 1953, pp. 517-518, 523 .

83. Ibid., p. 523.

opposed the motion, noting that the Government had kept the price of its salt low, that the government salt-workers' union supported its monopoly, and that through the monopoly the Government contributed funds for constructive purposes in Madura. He also expressed a fear that overproduction might result from many persons rushing to produce salt. Although abolishing the monopoly would benefit a few residents of Madura, he advised, the interests of the state and of the entire population had to be considered. Besides, the motion would lead to a "liberal economy", whereas Articles 37 and 38 of the Constitution were opposed to liberalism, he felt. He consequently urged that the motion be ~~reworded~~ so that the Government would be requested to set up a state commission to replace the Salt Monopoly Ordinance of 1941.<sup>84</sup>

Hadji Alwi Isa (from Gresik, formerly an important salt center), speaking on behalf of the Masjumi faction, opposed the motion, noting that Government salt was of a higher quality and more healthful than smallholder salt, and that the Government sold cheaply in remote areas. He also warned that if the coastal population in Java and Sumatra were allowed to make salt, the Government might suffer from the competition and be forced to close down some of its operations, resulting in increased unemployment. I.B.P. Manuaba (P.N.I.) appeared to believe that the state enterprise would cease production should the monopoly be ended, and that the state budget would suffer. He also felt that smallholder production would not be able to meet domestic demand. Accordingly, he opposed the motion. Sundjoto announced that his

---

<sup>84</sup>Ibid., pp. 520-523. Whereas Zainal Alim feared that the smallholders outside the monopoly area would not be able to compete with quality government salt were the monopoly abolished, Soerjoningprodjo warned that speculators would arise and that persons would copy government salt so that it would be easy to steal the latter, and that black-marketeering would increase(!) Soerjoningprodjo started as a member of the Masjumi faction in the Parliament of the Unitary Republic, but later became an Independent and by 1954 was a member of the Nahdlatul Ulama.

faction, Parindra, rejected the motion". In support of this stand, he noted that an inspection trip of the Parliament's Finance Committee through East and Central Java had shown that profits from the smallholder salt enterprises did not go to the Rembang producers but to Solo moneylenders. Moreover, since the producers lacked the means of transporting their salt, the trade became controlled by a "certain group" [Chinese merchants].<sup>85</sup> Debate on the motion was suspended, however, for shortly afterwards the Wilopo Cabinet fell".

About this time, demonstrations against the decree of the Minister of Finance reached their peak. Delegations reportedly representing the 13,000 persons affected in the Rembang-Tuban salt producing area were sent to the local and central governments". Since the Wilopo Cabinet suddenly had become demissionary, precluding the possibility of immediate new measures by the government, many of the salt producers ignored the decree and continued production. In November, the new Minister of Finance Ong Eng Die first postponed the cutoff date for selling private salt on the north coast from 1 January 1954 to 1 January 1955. Shortly afterwards, another decree permitted salt producers, who on 1 October 1953 had made preparations for producing salt, to continue production for another year (i.e. until 1 October 1954).<sup>86</sup>

About this time the Ministry of Finance sent to a Parliamentary committee (Justice and Internal Security) a thirteen-point justification

---

85. Ibid., pp. 518-519, 523.

86. "Keputusan Menteri Keuangan No. 258969/K," 6 Nov. 1953, and "Mo". 278198/K", 16 Nov. 1953, Tambahan Lembaran-Negara"R.I. Nos. 473 and 474.

for retaining the Government's salt monopoly, which included most of the supporting arguments used in the earlier debates. Article 38 of the Constitution in particular was cited as authority for state control of such important production. Additional arguments presented included the fact that other independent countries had government salt monopolies and the assertion that whereas under the Dutch the monopoly had primarily a fiscal nature, since the excise portion of the sales price had fallen from about seventy percent to barely fourteen percent and a supply of cheap salt was guaranteed, the monopoly had acquired principally a social nature. These points were repeated by the Government before Parliament when debate on the Abulhajjat Motion resumed on 21 July 1954.<sup>87</sup>

Abulhajjat replied to the Government's statement and the charges made a year earlier by opponents of his motion. He strongly attacked the monopoly built up by the Dutch, whereby the Government expropriated the enterprises of the people and rescinded the right of each resident of Indonesia to make salt from sea water. If the problem had been one of a handful of very large private salt works, he said they might well be nationalized, but at stake was the livelihood of the very poor coastal populations. Abulhajjat cited Articles 26, 37 (2), and 38 (2) of the Constitution and declared that the co-sponsors of his motion favored the principles in these last two articles, which implied a mixed economy, albeit in the special Indonesian form with kekeluargaan. He agreed that the state must control salt production, but citing the official Clarification of Art. 38, he observed that the meaning "own" was not to be ascribed to "control".

<sup>87</sup>. Statement by Mr. M. Saubari (Secretary General of the Ministry of Finance), I.P. 1954, pp. 655-656. The Government also pointed out that existing regulations guaranteed the right of members of the population to manufacture salt for their own needs.

As part of its efforts to control salt, he recommended that the Government provide leadership and guidance for improving and increasing the production and marketing of salt by smallholders. Since the Government had already provided ample aid to other economic sectors, he termed it only proper that smallholder salt production also be aided. Noting the major discrepancy between the opponents of the motion who feared that underproduction would result from abolishing the salt monopoly and those who anticipated over-production, he commented that salt supplies had been only four percent of the stocks authorized by law and that if the price were right, Japan would buy a million tons!"

88

Announcing that he was following Soerjoningrodjo's suggestion" about calling for a state commission, Abulhajat presented a revised motion a week later. By this time the two Masjumi co-sponsors had dropped out and had been replaced by two Communists (Soenardi of the P.K.I. and DJADI Wiro-subroto of the B.T.I.), and since co-sponsor Iwa had moved into the cabinet, he was replaced by Sidik Kertapati (also a Progressive)". The justification part of the new draft of the motion declared that it was necessary in the shortest possible time to end the difficulties arising from the existence of smallholder saltern areas (along the Rembang-Tuban coast) within the salt monopoly region and that the Salt Monopoly Ordinance of 1941, which was no longer in keeping with the times, had to be replaced by

---

88. I.P. 1954, pp. 656-660, 671-672. For those who spoke of the social feature of the Government's salt monopoly, Abulhajat declared that in effect, while it subsidized remote interior regions, it had impoverished the island of Madura. He also cited a note of Governor Sarimin of Sunda Ketjil, dated 5 Feb. 1953, which favored turning the production and trade of materials over to the community. To guarantee quality and quantity as well as a cheap price, Sarimin reasoned, it was not necessary for the Government to be both producer and distributor, since the purpose could be achieved by making regulations.



a "national" statute. Accordingly, the motion called on the Government:

(1) to form a state commission to prepare a national statute in place of the monopoly ordinance; and (2) to permit the smallholder salters affected to continue producing salt until the results of the state commission had become law. In presenting the motion, Abulhajjat said it was left to the state commission to decide the fate of the salt monopoly, although it was expected that a uniform law for the entire country would be produced and that it would take into consideration suggestions brought forward during the debates. Secretary General Saubari announced that the Government had no objections to the draft motion and so Parliament approved it by acclamation<sup>89</sup>. The immediate result of the motion was to end the Government's encroachment on the smallholder salt production in the Rembang-Tuban area.

#### Other Mining

During the years following the transfer of sovereignty, there were no major changes in the ethnic composition of ownership or new investment in Indonesia's third and fourth major mineral sectors--coal and bauxite mining--where virtually all the mining companies had resumed production after the Second World War. Few mining companies in other sectors had resumed operation, however. There were sundry reasons: many of the mines lay in remote, insecure areas (especially on Java and Sulawesi); some mines had been almost depleted by the time the Second World War had broken out; most of the mines had greatly deteriorated over the years (partly as a result of the Dutch scorched-earth tactics early in 1942<sup>9</sup>), and rehabilitation costs were

---

<sup>89</sup>. Statements, 28 July, I.P. 1954, pp. 797-7985

Not until three years later, after an extremely wet year had had a disastrous effect on salt production, was the Government's monopoly abolished by emergency law. In view of the Government's Salt Enterprise's failure to meet domestic demand for salt and in order to end the need for imports, private salt production was again encouraged. Report on Indonesia, IX (1957<sup>5</sup>), No. 6, p. 4.

almost prohibitive. In the case of gold mining, moreover, as President Houwink of the Java Bank had pointed out in 1950, although small workings by the local population in South Kalimantan and North Sulawesi were allowed to sell their gold on the open market (usually to Chinese traders), "Western" -operated gold mines were required to turn over their production to the Foreign Exchange Fund at the official price of gold--far below the open market rate--as a consequence of which a profitable operation was questionable and none of these mines had resumed production.<sup>90</sup>

Nevertheless, by the end of 1955, four of the leading pre-war producers of other minerals were still in production (only one of them mining gold): AIMS, mining manganese ore at Karanun'gal, West Java; NICKI, extracting kaolin and quartz sand on Bangka; Watoedakon, producing iodine near Modjokerto; and Bengkalis, resuming output of gold after rehabilitating its "Logas" concession in eastern Central Sumatra in 1953.<sup>91</sup>

In two instances the Indonesian Government or a subsidiary took over former alien operations". The contract with the Government held by the country's only producer of natural asphalt, the N.V. Mijnbouw Mij. Boeton (which operated on the island of Butung off Sulawesi), expired in October 1954. During the last years of the contract, the company's field operations had been handled by an Indonesian trading company, N. V. Handel Mij. Intraport. After the contract's expiration, asphalt was extracted by the "Butas" section

---

90. Java Bank Report 1949-1950, p. 1171

91. Cf. Chapter II; Sutter, op.cit., pp. 7-8, 11. The Government allowed the Bengkalis company to dispose of some of its production on the free market in order to facilitate rehabilitation.

of the Ministry of Public Works.<sup>92</sup>

The Government also became active in the gold mining sector. As was noted, most gold concessions had changed hands after the temporary return of the Dutch to the archipelago, when the principal concessionaire, Erdmann & Sielcken, was bought out by a company that took the name N.V. Gutwirth Trading Company (Indonesia).<sup>93</sup> Since Gutwirth and a number of companies in other mining sectors continued to postpone resuming production, in 1954 after consultation with Minister Iskaq, the Bank Industri Negara founded the N.V. Perusahaan Pembangunan Pertambangan (Mining Development Corporation), with Iskandar Tedjasukmana (Partai Buruh, and Vice Chairman of the Economic Committee in Parliament) as President and Ir. Ujuanda (Director of the State Planning Bureau) as Board Chairman. By the end of 1955, when the B.I.B. had provided the company with almost Rp. 9 million in working capital and loans, the company had acquired the mines at Tjikotok, West Java, of the Gutwirth subsidiary, N.V. Mijnbouw Mij. "Zuid Bantam", bought back the mine's buildings and equipment which had been sold to a Chinese merchant, and started rehabilitating the mines. Meanwhile, other

---

92. Sutter, op.cit., pp. 4-5; Report on Indonesia, VIII (1957), No. 3, p. 13. Butung production had been restricted largely because of the lack of transport from the island. The Public Works service accordingly planned to multiply output not only by increasing the amount of equipment on the island but by purchasing freighters to ship the product.

93. See Chapter XVI; I. Tedjasukmana interview, Ithaca, 5 Aug. 1958. Gutwirth, one of the largest alien family enterprises in Indonesia, had been founded by a family of Belgian and Australian Jews.

94  
potential mine-sites in Java and Sumatra were inspected.

Meanwhile, Indonesia's richest gold and silver mines, the "Simau" mines at Lebong Tandai near Bengkulu (also a Gutwirth holding), remained in a state of virtual neglect, being worked by some of the old workers on a caretaker basis. Touching upon this state of affairs and charging that the labor leaders acting as managers were reportedly pocketing the proceeds, Mohamad Saddak (PIR member of Parliament from South Sumatra) in mid-1952 asked the Government what action it planned to make concerning the neglected mines. Admitting that the high cost of rehabilitation and the rules requiring companies to turn their products over to the Government discouraged them from resuming operation, the Government replied that since there was a real need for resuming production, it would consider suspending the gold transfer rules. 95

Nevertheless, two years later after two members of parliament's Economic Committee inspected the Simau gold mine, they reported that the mining company had still not arrived at a formula with the Government for gold purchases and that it also claimed indemnification for gold that it had left in the hands of the Indies Government at the outbreak of the war. In response to their urging that the neglect of the mine workers and equipment be brought to an

---

94. See Charter 421/1954; Bank Industri Negara Report, pp. 16, 26; Tedjasukmana interview. When President Tedjasukmana recovered his labor portfolio in the Burhanuddin Harahap cabinet, he was succeeded by Mr. Tjoeng (the mining authority in the Economic Committee).

In mid-1958, President Soekarno officially reopened the gold mine at Tjikotok.

95. Saddak speech, 16 May, and Government reply, 3 June, I.P. 1952, pp. 398, 572.

end, the Economic Committee called on the Government to take immediate steps to have the concessionaire reopen the mines or else have it operated by another company or by the Government itself".<sup>96</sup> By the time of the elections, however, there had been no change in its status".

Since the Indonesian earth is potentially rich in a wide variety of minerals, there have continually been a large number of projected private Indonesian enterprises for tapping these riches, besides innumerable small local diggings. Few such companies, however, have lasted beyond the talking stage. A P.N.I. mining company, N. V. Perusahaan Explorasi dan Pertambangan Tjokro, with Iskaq as President and Notohemiprodjo as board chairman was originally founded in May 1952. It subsequently obtained a concession for iron ore in Lampung.<sup>97</sup> One firm, Gamelan Corporation, an Indonesian and Chinese concern headed by Soetan Radjo Ameh SJMSIB, started out as a film importer; but by 1953 it was working manganese deposits near Jogjakarta and Sukabumi".<sup>98</sup>

---

96. Report, 23 July, I.P. 1954, pp. 675, 722-725". The inspection was made by Mr. Tjoeng Tin Jan and Maruto Nitimihardjo.

97. Charter 108/1953; Industrial Directory of Indonesia, 1957-1958, p. 536. Iskaq's company (of which Sidik Djojosoekarto, P.N.I. Chairman, was a board member) was originally called "Indonesia" mining; before the charter could be legalized, the name was changed to the first part of Iskaq's surname ("Tjokro").

98. Sutter, op.cit., p. 9. Gamelan Corporation subsequently acquired a mining concession near Sarolangun, Central Sumatra." The company's charter was twice disapproved by the government until ironclad provisions were added stipulating that the stockholders of 70 percent of the stock and the president and vice presidents had to be citizens of Indonesia". Charter 151/19545



During the period under review only a very few companies composed entirely of indigenous Indonesians commenced mining operations on any significant scale! Near Alahan randjang, West Sumatra, the N. V. Perusahaan Dagang dan Tambang Batu Tulis Gumanti began quarrying slate in 1952. The same year, the N. V. Perseroan Dagang & Pertambangan "Welirang" of Malang, promoted by Sutomo (Bung Tomo of the Partai Rakjat Indonesia) began buying up sulfur extracted by small local workings in the crater of Gunung Welirang in East Java, which at roughly 10,000 feet made it the country's highest commercial enterprise! After Minister Iskaq inspected its operations in October 1953, he announced that for the time being no more permits for importing sulfur would be granted. On Sumatra, near Tarutung, the N.V. "Namora i Langit" began extracting sulfur in 1953, a year after U.N. technician<sup>99</sup> inspectors had approved the site.

The Teuku Hasan motion of 1951 had contributed to the stagnation in the sectors of Indonesian minerals production outside the enterprises then in production because of its provisional virtual prohibition against the Government's taking action on most concession matters. Even existing producers, like ~~Starvac~~ <sup>Starvac</sup>, were compelled to curtail output when they could no longer acquire exploration permits! Most Government action awaited the completion of a new omnibus mining act, which although largely drafted during the period under review, had not yet been submitted to Parliament!

---

<sup>99</sup>. Sutter, op.cit., p. 12; RI:Propinsi Sumatera Utara, p. 647. The ban on sulfur imports, which was a form of protection for the domestic mining production, was allegedly because ~~there~~ was a sufficient supply of sulfur in the country. However, domestic production was far below the current industrial demand both in quantity and quality.

ABBAS gelar Datuk Radjo Nan Sati was president of the Gumanti Company.

Nevertheless, a number of old, unused concessions were weeded out following a requirement that pre-war concession holders re-register with the Department of Mining between June and September 1955. Failure to re-register or to commence exploration or mining operations within one year caused affected concessions automatically to lapse.<sup>100</sup>

---

100. Bank Indonesia Report, 1955-1956, p. 146. The Government announced in October 1956 that mining concessions could only be given to Indonesian citizens or companies established under Indonesian law with headquarters in the country. Foreign concession holders thus had to reestablish in Indonesia. Report on Indonesia, VIII(1956), No. 2, pp. 4-5.

## CHAPTER XXI: PUBLIC UTILITIES

Outside of Java and Sumatra, the gas and electricity companies which had been built by private enterprise were virtually all returned to their owners by the end of 1946. However, on the two major islands gas and electricity enterprises, like the railway enterprises after October 1945 were operated by government departments, the Department of Electricity and Gas being a part of the Ministry of Public Works. Although according to the foreign policy manifesto of 1 November 1945, such foreign property was to be restored to its owners--except that which the State itself needed to operate, for which it would pay fair compensation--most gas and electricity workers and their union leaders, including Kobsarsjih of Partai Murba believed that these companies had been nationalized.

After the Dutch administration had regained control over most of the coastal and urban areas of Java and Sumatra, the private railways continued to be jointly operated under a state enterprise. Accordingly, it was a simple matter for the D.K.A. to resume joint operations in 1950. The situation was different with the other public utilities, however, for from 1946 on they had been gradually returned to their separate owners, and after the transfer of sovereignty, the several companies continued operating them. The Government did play a role in electrical power generation, of course, especially in West Java where it operated Perusahaan Negeri untuk Pembangkit Tenaga Listrik (Penupetel--National Enterprise for Generating Electricity), and it still owned fifty percent of the shares of NIWEM, the mixed enterprise which generated electricity in East Java. Furthermore, it participated in GESEO, which distributed electricity in the interior regions of West Java. However, at least

seventy percent of Indonesia's electrical power was still distributed by two private companies, Aniem (with headquarters in Surabaya) and the N.V. Overzeese Gas- en Electriciteits Mij (OGEM, with main office in Djakarta), whose concessions were to expire in 1956 and 1953, respectively.<sup>1</sup> Moreover, OGEM was also the country's principal producer and distributor of commercial gas.

Article 1 (4) of the R.T.C. Financial and Economic Agreement had mentioned the possibility that electricity and gas companies would be nationalized, and the RIS Government in June 1950 observed that it supported the eventual nationalization of such companies, yet for the moment too many political developments were occupying its attention and that of the people. Consequently, although the April congress of the Serikat Buruh Listrik dan Gas (Electric and Gas Workers Union) presided over by Kobarsjih had passed a resolution calling for nationalization, there was little other organized sentiment for further nationalization of public utilities during the RIS period.<sup>2</sup>

However, during August the fuse on a political-economic powder keg was touched off. From 1946 to 1948 while the electricity companies were being rehabilitated the Dutch administration had subsidized them. Then

---

1. Statements by Minister of Power, Public Works, and Construction Johannes, 14 and 15 Dec., Risalah Perundangan 1950, pp. 2627-2723. The pre-war Landwaterkrachtbedrijf had become Penupetel; the pre-war N.I.G.M. was renamed OGEM; the pre-war ANIEM (an abbreviation) had been renamed N.V. Electriciteits Mij. Aniemi; and Aniemi retained the other 50 percent of the stock of NIWEM. Cf. Chapter III.

2. Cf. Hatta statement, 19 June, Ichisar Parlemen 1950, p. 259; Kobarsjih speech, R.P. 1950, pp. 2809 ff. Hatta's remarks were in reply to urging by Mr. Iwa Kusuma Sumantri, whose political orientation was not far from that of Kobarsjih and Partai Murba.

In April, the Prosperity and Finance Committee of the RIS Senate had recommended that Aniemi, GEBO [sic], etc., become "associated" with the Government, I.P. 1950, p. 184.

in that latter year a commission calculated higher "commercial rates" so that the subsidy could be dropped. Following the monetary reform of March 1950 there was a general price rise. Accordingly, on 1 August, Penupetel (the state enterprise, which sold to GEBEO and OGEM) raised its rates 64 percent, and NIWEM (which supplied Aniem), raised its by 50 percent. On the tenth, the Economic and Financial Council approved a rate rise for Aniem. Consequently, Aniem raised its rates 58 percent.<sup>3</sup>

The rate rise was greeted by the consuming public with a noticeable lack of enthusiasm. Djaswadi Soeprapto (P.N.I. from East Java) reported that the people in East Java were aroused over the action by Aniem. He suggested that instead of permitting the rate rise, the Government should have taken some emphatic action to protect the people's interests, for example by nationalizing the company. His remarks came during the debate on the Government's statement on the program of the Natsir Cabinet. Other speakers also suggested that electricity companies be nationalized, without referring specifically to Aniem's actions. Mr. Harmani (PIR) suggested that the water and electric systems be nationalized since they were important for the people's welfare and they would not cost very much in compensation [sic]. Soeparno (P.N.I. union leader), urging that Art. 38, Sec. 2 of the Constitution not be forgotten, asked why the Government's program did not include nationalization of important enterprises like electricity. And then Kobarsjih (simultaneously with the Labor faction and a member of Partai Murba), condemning the Government's

---

<sup>3</sup>. Government statement, 14 Dec., R.P. 1950, pp. 2630-2634; Government statement, 11 Oct., R.P. 1950, p. 1845. OGEM was permitted to raise its rates 48%, and GEBEO 20%. Smaller companies such as the E.M.S. of western Sumatra also raised their rates.



program and the Dutch, called for nationalizing electric companies.<sup>4</sup>

In its reply on 11 October 1950, the Government announced that Point 3 in the plan of the Ministry of Public Works was to expand generation of electricity and begin nationalizing electric companies. Nationalization of the electric companies, which were included among public utilities, was declared to be the duty of the Government, in keeping with Article 38 of the Constitution. However, although it was to be undertaken as soon as possible, since confiscation was out of the question, it would require time, (considering the country's financial strength and personnel). The Government believed that the country's capital should be used instead for acquiring enterprises whose nationalization was more urgent or for setting up new enterprises, which would benefit development in the country more than nationalizing existing electric companies. The Government further declared that it had also to consider whether it would be better to nationalize at once or wait until the concessions of the electric companies expired.<sup>5</sup>

Nevertheless, the matter was far from closed, for in the major cities of the country there arose Committees Opposing the Electricity Rate Rises. Their attacks against the Government for allowing the rises caused some officials, including Secretary-General Roeslan Abdoelgani of the Ministry of Information, to charge that they were politically moti-

---

4. Speeches by Harmani, Djaswadi, Soeparno, and Kobarsjih, on 29 and 30 Sept., 2 and 3 Oct., resp., R.P. 1950, pp. 782, 1031, 1206, 1287 ff.

5. R.P. 1950, pp. 1846-1847. Harmani was reminded that practically all water companies were controlled by the Government.

vated aiming at the collapse of the Government.<sup>6</sup> Aniem's quick cutting off of the current of customers who did not immediately pay the new rates, however, only added fuel to the fire.

Kobarsjih motion, etc.

Not satisfied with the Government's reply, on 25 October, the very day that the Natsir Government received its vote of confidence, Kobarsjih and six colleagues submitted a motion, which called on the Parliament to urge the Government to "carry out the nationalization of all electric and gas companies in Indonesia within a short time so that the income and expenditures of these national enterprises could be included in the State Budget for 1951." Various reasons put forward for the motion included: (a) that electrification was necessary for industrialization; (b) that the production of most electricity and all gas in Indonesia, being done by private and semi-private companies which were only guided by the profit motive, was inefficient and anarchistic, since it was not regulated according to the needs of the state or of the masses; (c) that state control of all electric power and gas was an absolute condition for electrification throughout the state; (d) that the continual rate rises over a short period had caused unrest among the population; (e) that Part A, Article 1 (4) of the Economic and Financial Agreement at The Hague allowed for such nationalization after the public utilities were returned to their owners, which condition had already been met; (f) that such nationalization would largely benefit the people's health and prosperity [sic] and the state's finances and defense, and thus would become a condition for the

---

6. Cf. Ichtisar Indonesia Sepekan, 13 Nov. 1950, p. 26; Musirin speech, 15 Dec., R. P. 1950, p. 2726.

continued independence and popular sovereignty of the State [sic].<sup>7</sup>

The Kobarsjih motion was scheduled to be debated in Parliament on 14 December, but by that time two other related motions had been submitted. One drafted in November but not registered in Parliament until 12 December was submitted by Sidik Djojosoekarto (P.N.I. chairman). Citing the critical atmosphere that had arisen because the rate rises had been approved without first hearing the views of the people, most of whom had been hard hit during the Revolution, this urged the Government to "review at once the decision on the Aniem rate rise."<sup>8</sup>

A motion apparently sponsored by Werdojo (Labor faction and SOBSI) and citing "Art. 33 of the original Republic of Indonesia Constitution which has been inserted into Art. 38 of the R. T. C. Constitution of the Republic of Indonesia", called for "nationalization of all electric and gas" companies and merging them into a Department of Electricity and Gas." It also provided that the approval granted to the current rate rise be rescinded, that a "progressive" rate be set for electricity (heavier at the top and lighter for the common people)", and that the new department be "democratized" (i.e. that labor have a voice in production policy).<sup>9</sup>

---

7. I.P. 1950, p. 541. A subsequent version of the text stipulated "nationalized" rather than "national" enterprises in connection with the 1951 budget. Co-sponsors of the motion were Iwa, Koesnan (Labor faction and P.N.I.), Mr. Djody Gondokusumo (P.R.N.), D. S. Diapari (S.K.I.), and I. Tedjasukmana (Partai Buruh)

8. I.P. 1950, p. 604. Co-sponsors included P.N.I. members Djaswadi, S. Bahreisj, and Dr. Dradjat; Ki Hadjar Dewantoro (non-party); K. Werdojo, and Ersat Trunodjojo (Masjumi).

9. I.P. 1950, p. 602. One justification for the motion was that alien capital had control over all production in Indonesia through owning electric power production. Co-sponsors were Tjugito and Musirin (both P.K.I.), Siauw, and A. Erningpradja (also Labor faction and SOBSI). Although this motion was drafted a fortnight after Sidik's, it was registered in the Parliament a day earlier.

The debates on the motions concerning electric power lasted from 14 to 18 December. Minister Johannes opened the debate by sketching the history of the electric power industry in the archipelago, noting that since 1925 the Government had intervened in the industry to guarantee that power be continually provided to the public and to limit profits of the private companies to a fair return on their capital considering the work and limited risks. He then made the point that such enterprises had lost their free profit-seeking nature, that in effect a managed economy applied to them, and that such status was little different from a state enterprise, where production and rates would be approximately the same.<sup>10</sup>

Most of those who took part in the debate favored nationalization of the electric power companies. Djaswadi Soeprapto, speaking on behalf of the P.N.I. and thus Sidik, declared that there was "no real Indonesian" who did not want nationalization. Thus since the Government agreed in principle to nationalization, what had to be settled then was the question of reducing rates.<sup>11</sup> Nevertheless, the other two principals, Kobarsjih and Musirin (speaking for the "Werdojo" motion which would have been more appropriately called the "Musirin motion"), drummed home the necessity for nationalization. Kobarsjih, declaring that approval by the "imperialist" Netherlands Indies Government of the "capitalist" Aniem policies in the past was understandable, expressed surprise that a national government would also grant such approval. He felt that drastic measures were in order and found a parallel between the current situation and a case of constipation, where the necessary remedy was not in merely

---

<sup>10</sup>. R.P. 1950, pp. 2625-2639.

<sup>11</sup>. Speech, 14 Dec., R.P. 1950, p. 2654.

correcting rates (the "aspirin"), but in nationalization (the "castor oil").<sup>12</sup>

Musirin, who attacked Roeslan Abdoelgani's suggestion that the committees opposing the rate rises were politically motivated, observed that electric power enterprises in modern countries like Europe, America, and Australia were operated by the municipality or the state. Thus he regretted to see that in Indonesia they were still under private foreign capital. Noting that the Government had agreed to the rate rise because of Article 8 of the Financial and Economic Agreement at The Hague, he asserted that under Article 33 of the original Constitution, the interests of the people still came first. Musirin also disagreed with the Government's views that electricity companies were considered to be commercial enterprises, for to him, since they were public utilities, neither profit nor loss could be considered. Thus, since no private company liked to suffer a loss, it was not possible that one should operate an electric enterprise. The Government could not use the condition of the state's finances and the shortage of technicians as excuses for postponing action, he declared, for finances could be gotten from the population, especially the consumers of electricity, and technicians could be gotten from abroad, even from the Netherlands.<sup>13</sup>

Whereas the P.K.I., speaking through Musirin, did not feel that private enterprise should operate public utilities, allegedly since they might suffer losses [sic], Kobar'sjih and Mr. Dalijono rejected large profits for the private companies and looked forward with anticipation to

---

<sup>12</sup>. Speeches, 14 and 15 Dec. R.P. 1950, pp. 2641-2644, 2702 ff.

<sup>13</sup>. Speech, 15 Dec., R.P. 1950, pp. 2725-2731.



the Government's acquiring such profits as a source of State revenue.<sup>14</sup>

Ir. Enoch (Parki), who represented the city of Bandung on the GEBEO Board of Directors, however, took still a different view. Noting that the Government-owned electricity company at Madiun had been suffering losses, he declared that it was necessary that such enterprises pay their own way. Enoch also described the Aniem management's action, in apparently only looking for money and in arbitrarily cutting off current instead of accommodating itself to the changed times, as typical of a Jew, not an Indonesian. He urged that a joint government-parliamentary commission be set up to study a timetable for nationalization.<sup>15</sup>

Sundjoto from East Java, urging that Aniem's history be investigated, recalled that Aniem was originally a foreign (non-Dutch) company which had been nationalized by the Dutch. He condemned Aniem's practice of demanding advance deposits for its service and of charging rent on its installation, the depreciation of which, he alleged, had long since been written off. He, too, concluded that the company was hardly a public utility but rather a profit-seeking venture working contrary to the welfare of the people. He announced that Parindra agreed in principle to nationalization, but not immediately. To avoid having to pay too heavily, he suggested that it would be better to wait until the concession ended. In the meanwhile he suggested that efforts be made to reduce the rates.<sup>16</sup>

---

<sup>14</sup> Dalijono speech, 15 Dec., R.P. 1950, pp. 2709-2711. Dalijono in some ways was considered a Masjumi maverick.

<sup>15</sup> Speeches, 14 and 15 Dec., R.P. 1950, pp. 2645-2647, 2733-2734. During the debates over the Exim Bank loan, Enoch in reference to its opponents commented that a certain group in Indonesia wanted the people to stay poor so that their ideology could flourish. R.P. 1950, p. 2515.

<sup>16</sup> Speech, 15 Dec., R.P. 1950, pp. 2667-2670.

Other faction representatives expressed the views of their parties. Wondoamiseno merely indicated that the P.S.I.I. felt obliged to attack capitalism. Although Mr. Dalijono recommended that the Government go ahead and nationalize the two largest private companies, Aniem and OGEM, Mahmud L. Latjuba announced that the Masjumi preferred the course suggested in the Sidik motion, although it felt that the text could be improved. Two members spoke on behalf of the new Partai Rakjat Nasional (P.R.N.--National People's Party), most of whose members had seceded from the P.N.I. since the middle of the year. Mr. DJODY Gondokoesoemo, the party's head, recommended that nationalization of all electric and gas companies be started and completed in two years; that the government's decision approving the rate rises be rescinded and a state commission be formed to investigate and settle the rate question; and that old concessions which were not being operated be abrogated. Djody's party colleague, Saroso Harsono, proposed also that nationalization be started at once. But in order that it not be too great a burden on the state's finances, he suggested that nationalization start with the enterprises half-owned by the state and that the government acquire ten to fifteen percent of the private enterprise each year over a succession of years.<sup>17</sup>

Professor Johannes touched on some of the above points and others which had been raised in his reply. Hadji Siradjuddin Abbas (Perti) had demanded a "yes or no answer" concerning whether the Government would cancel the electric rate rise and whether it could nationalize the elec-

---

<sup>17</sup>. Speeches, 15 Dec., R.P. 1950, pp. 2701-2708, 2712-2716. Saroso Harsono's formula was somewhat ambiguous for it did not state clearly whether each year the government would acquire a fraction (10 to 15%) of the stock of all private companies concerned or whether each year it would acquire in toto such percentage of all the companies.

Djody was a brother-in-law of Kobarsjih.

tricity companies in 1951. To both, Johannes gave a categorical "no". Commenting on Musirin's opposition to operating commercial enterprises in the electricity field, the Minister announced that no subsidy had been given in order that the users would be the ones who paid for the electricity consumed, not the entire Indonesian people. He termed subsidies unjust to the Indonesian people who did not use electricity. Concerning the approval of the rate rise made during the RIS period, Johannes noted that it had first been accepted by the six-minister Economic and Financial Council. In reply to a matter broached by Enoch, Johannes said that the Government was attempting to acquire a majority on the GEBEO Board of Directors in order to have a voice in operations, but although the R.T.C. agreements had recommended that Indonesians be placed in the management of companies operating in Indonesia, he anticipated little to be gained by sending one of the country's few engineers to the Aniem home office in Holland to sit on its management board.<sup>18</sup>

The debates over the subject of the electric power industry did not resolve the question of what action should be taken concerning the three proposed motions. Since the three motions dealt with two subjects, nationalization (the more far-reaching) and electricity rates (the more immediate), the three sponsors agreed that there should be two motions. Kobarsjih, on Saturday, 16 December, with the approval of his co-sponsors,

---

<sup>18</sup>. Government reply, 15 Dec., R.P. 1950, pp. 2740-2744. Johannes announced that he would postpone a reply on Enoch's suggestion for a joint commission until after the debates were over. In reply to Dalijono's inquiry about whether the administration of the companies might be simplified, he commented that although the salaries of personnel in private companies were higher than those of civil servants, their work was more efficient, for in private companies they were required to devote all their energy to their work. He also observed that had the electricity company in Madiun raised its rates, it would not have suffered a loss.

merely dropped the final clause from his motion, so that the Parliament would urge the Government to "carry out nationalization of all gas and electricity companies in Indonesia within as short a period as possible." Musirin agreed to withdraw his (and Werdojo's) motion, with the understanding that while rate rises were being reviewed they ought not to be implemented. Implying that nationalization just for the sake of nationalization was not enough, he asserted that it had to be accompanied by "democratization" in order to end labor unrest through giving labor the "right to intervene." Then Sidik and his P.N.I. colleagues, whose original motion might have been acceptable to the Government, collaborated with the P.K.I. (which was also in the Opposition) to make his motion quite unacceptable to the Government by reformulating it so as to have the Parliament urge the Government to: "(1) review at once its decision on the rise in electricity and gas rates; and (2) postpone implementation of the rate rise pending a decision on a new rate resulting from a more 'progressive' review."<sup>19</sup>

At this turn of events, Minister Johannes took a bold stand. Concerning the question of the rate rise, he declared that the Government accepted complete responsibility although the matter was inherited from the past cabinet. Declaring that the Parliament, and especially Sidik, knew who the minister in the former cabinet was who permitted the rise [Laoh-P.N.I.], Johannes remarked that the question arose as to whether he had not first discussed the subject of the rate rise with his party and

---

<sup>19</sup> Statements, 16 Dec., R.P. 1950, pp. 2749-2759, 2766. Musirin later amplified his remarks on "democratization" by declaring that unions had to be given freedom to organize the personnel in the Department of Electricity.

with Sidik himself before approving the matter. Since Parliament had given a vote of confidence to the Government's program, which included the rate rise, the Government did not agree with the Sidik motion. Concerning the point of nationalization, he declared that there was no difference of opinion between the Government and Parliament, although it did wonder whether the unrest among the people would be quieted if Parliament accepted the Kobarsjih motion.<sup>20</sup>

In the ensuing exchanges, the atmosphere in Parliament became quite charged. Kobarsjih, declaring that he wanted to reassure the Government that the matter of nationalization was not merely to calm the population but was solely to strengthen the national economy. He noted that many organizations outside Parliament, including the Gerakan Pemuda Islam Indonesia (G.P.I.I.--Indonesian Islamic Youth Movement) supported nationalization of the gas and electricity companies. Since there were different opinions in Parliament, however, his motion had sought a middle way. Since most of the "run-down equipment" had already been written off, he felt that possibly there was no need to pay for it. His more volatile colleague, Soedjono Djojoprajitno, asserted that the economic order had to be brought in line with Article 33 of the old Constitution, starting at once with the nationalization of all vital enterprises.<sup>21</sup>

Sidik, in reply to Minister Johannes's allegation, retorted that there had not been any time to bring up the matter during the RIS and that then

---

20. Statement, 16 Dec., R.P. 1950, pp. 2759-2761.

21. R.P. 1950, pp. 2762-2764, 2781. Kobarsjih also condemned the Government for apparently emphasizing imports and exports and taxes thereon instead of dealing with the fundamental problems of the national economy, which in order to be strengthened required that the national state possess the sources of livelihood.



the people were not in a state of unrest. His colleague, Djaswadi<sup>22</sup> Soeprapto, also chided Johannes for attempting to place the blame on others. He asserted that if the Government felt that its financial condition required that nationalization be delayed, the matter could be turned over to the people with a national loan, or the approximately Rp. 5 million in customer deposits held by Aniem could become the people's contribution in helping the Government to carry out nationalization. The P.K.I. position on compensation, as explained by Paris Pardede, was that the real, depreciated value should be used in calculations, not the market value.<sup>22</sup>

Siradjuddin Abbas charged that a Government rejection of the Kobarsjih motion would be a violation of the Constitution. Another Islamic politician not especially noted for his moderation, Arudji Kartawinata, declared P.S.I.I. support for the Kobarsjih motion. He used the "opportunity to criticize the attitude of Minister Johannes concerning the rate rises, which he felt to be more like that of a representative of the Aniem management than that of the Government. Enoch and Djody announced approval of both motions. The latter, observing that the "plan evolved by the Republic's "brain trust" during the Revolution had included the nationalization of gas and electric companies, declared that the P.R.N. in general defended everything once possessed by the Republic as a product of the people's revolution.<sup>23</sup>

Other speakers expressed some reservations! Ki Hadjar Dewantoro, a signer of the original Sidik motion, while agreeing in principle with nationalization, was disturbed by the P.K.I.--SOBSI insertion of the term

---

22. R.P. 1950, pp. 2766-2774, 2799-2800.

23. R.P. 1950, pp. 2776, 2784-2785, 2792-2794, 2803.

"progressive" in the revised Sidik motion, which made it ambiguous, and asked for data to support the proposal that the government review its decision on the rate rise. Mr. Harmani (PIR), Mr. R.A.A. Soehardi (Katholik), and Soendjoto (Parindra) expressed agreement with nationalization and approval of the Kobarsjih motion, although that of the latter was qualified. Harmani, believing that nationalization had to be done in a gradual manner, doubted whether it would come off smoothly as in England and declared that it did not mean that the people would see electricity rates fall. Being an officer of Minister Johannes's own party, he did not express approval of the Sidik motion. Soehardi, asking parenthetically that if private business could already be regulated, what was the need for the Government to control it absolutely, approved both motions, with the understanding that nationalization be carried out with discretion and according to a rational plan. In this connection referring to point (e) in the justification portion of the Kobarsjih motion, he reminded its sponsors that Article 3 of the Financial and Economic Agreement provided that nationalization could only take place by a statute and with compensation. He also observed that the state's finances were still too insufficient to pay compensation for nationalization at that time. Soendjoto, repeating that Parindra approved in principle the nationalization of electricity companies, said that his faction would approve the Kobarsjih motion if in view of the existing high valuations the words "as short a period as possible" be construed as "in as efficient a manner as possible considering the means and circumstances."<sup>24</sup>

The Masjumi, however, announced that it could not support the Kobarsjih

---

<sup>24</sup> R.P. 1950, pp. 2764-2765, 2786-2791, 2805. Harmani agreed with Kobarsjih about not buying delapidated equipment.

motion, although it was sympathetic to it, since it provided for implementation of Article 38 of the Constitution and protected the interests of the common people. Mr. Jusuf Wibisono explained that the Masjumi disagreed with the motion's sponsors over the timing and manner of carrying out nationalization. Since only a limited amount of funds was available, nationalization had to be done in an orderly fashion according to a plan, not in an anarchistic way, and the Masjumi felt that priority should be given to other vital enterprises like the Java Bank. Noting that the question of nationalization of gas and electric companies had appeared all of a sudden in connection with the Aniem rate rises, Wibisono asked whether, whenever certain companies raised their rates, there would also be demands that they too be nationalized. His colleague, Latjuba, announcing the party's stand on the revised Sidik motion, declared that it would be acceptable if it was not considered as one of non-confidence in the Government's policy.<sup>25</sup>

The day's actions closed with the statement by Minister Johannes that the Government was agreeable to the first part of the Sidik motion, but he specified that the proposed review would cover only the renting of electrical installations, without mentioning the rate rise. The second part of the motion was declared to be unacceptable.<sup>26</sup>

---

25. R.P. 1950, pp. 2777-2781, 2794. Wibisono, who said he wanted to avoid the charge that the Masjumi was an "accomplice of foreign capital or an agent of Wall Street", termed the fact that his party and the G.P.I.I. had different ideas on the subject of nationalization evidence that the youth organization was not a subsidiary of the party.

Kobarsjih, citing the decision of his labor congress of the previous April, denied that his motion was proposed only as a result of the disturbances or would contribute to anarchy. Ibid., p. 2809.

26. R.P. 1950, p. 2808.

### Saddak Motion

The Government's opposition to at least half of the Sidik motion meant that passage of the motion could be interpreted as a non-confidence vote against the Natsir Cabinet.<sup>e</sup> However, the showdown vote on that motion did not come until the next meeting of Parliament, on Monday the eighteenth. During the intervening Sunday, the Masjumi held a caucus on the question,<sup>27</sup> and it was decided that Trunodjojo would withdraw as one of the co-sponsors of Sidik's motion. The same day a new motion was drawn up by R. Mohamad Saddak (of PIR, the party of Minister Johannes) and six others, including Latjuba of Masjumi. Repeating in extenso the text of the justification portion of the Sidik motion, the proposed new motion would have the Parliament urge the Government to: "(1) form a State Commission to review the electric rate rises; and (2) suspend, pending results of the investigation, the rise in the rentals of installations."<sup>28</sup>

The next day, 18 December, when the Saddak motion was entered in Parliament, Minister Johannes stated that the Government could agree to the Kobarsjih motion. Regretting Soedijono's comparison of it with the Aniem management, he explained that in defending the people's interests, the Government had rejected various demands of Aniem and had scaled down the company's request for a rise of 115 percent to 58 percent. Asserting that "such foreign companies of course always like to seek the largest possible profits", he declared that whereas a rise over 58 percent would injure the people, one of less than 58 percent would injure the people and

---

<sup>27</sup>. Ichtiisar Indonesia Sepekan, 15 Jan. 1951, p. 31.

<sup>28</sup>. I.P. 1950, p. 644. Other sponsors of the Saddak motion were Nj. Soewarni Pringgodigdo (P.S.I.), Soendjoto, O.K. Ramli (Demokrat), Mr. Tadjuddin Noor (PIR), and Dr. R.V. Soedjito (Katholik).

the state, for Aniem would suspend operations and its technicians would quit. Meanwhile, the Government's endeavors to obtain technicians from abroad for various purposes had had scant results. Nevertheless, he threatened sterner measures against Aniem, which he revealed had raised the rentals on its installations without Government approval. Then passing to the Sidik motion, the Minister remarked that the Government could accept the first part of the motion since it felt sure that a review of the rate rise would bring no different result. The second part of the motion had to be rejected, however, for it became a motion of non-confidence since it implied that the Government's considerations had been insufficiently progressive or even reactionary and charged that the Government had erred before an investigation had been made.<sup>29</sup>

In the ensuing exchange Kobarsjih announced support for the Sidik motion, and Mas SOETARDJO Kartohadikoesoemo (PIR) criticized the Government for interpreting it as one of no confidence, which he thought it was not intended to be. Ersat Trunodjojo stated that although he and Latjuba personally agreed with Sidik that his motion was not one of non-confidence, the Government still considered it to be so. Thus to avoid conflict, he announced his withdrawal as a co-sponsor. Latjuba then declared that for the same reasons he withdrew his approval of the Sidik motion, and he requested that the new motion of Saddak (and himself) be considered. Concerning the Kobarsjih motion, he referred to Wibisono's statement that a Masjumi vote against it meant that his party only disagreed with the time and manner. Soendjoto announced that Parindra could not accept the Sidik motion, while Saddak declared that if PIR did not give its vote

---

<sup>29</sup> R.P. 1950, pp. 2831-28345



to the motion it did not mean that its members disagreed with the purpose of the motion but only that they felt that approval by the Parliament might lead to "undesired consequences."<sup>30</sup>

Since the Kobarsjih motion was already accepted by the Government, there was some question whether a vote was necessary. It was then passed by 120 to 19. Then on the next balloting the Sidik motion was defeated, 64 to 89. As the proponents of the Sidik motion left the room, the Saddak motion was approved by Parliament, 93 to 0.<sup>31</sup>

#### Nationalization of Electricity Companies

Although the Kobarsjih Motion had been passed and accepted by the Government, implementation was a rather slow process. The Natsir Cabinet fell before it could act on the matter. Then when the Sukiman Cabinet took office, it became apparent that it did not consider nationalization urgent, for it announced that all electric power generation and distribution would be brought under state control without neglecting the needs for construction of new electric power facilities.<sup>32</sup> This indicated that priority would be given first to building new electricity facilities, then to nationalizing old ones, and lastly to nationalizing the gas enterprises of CGEM.

Finally, on 4 December 1951, almost a year after the passage of the Kobarsjih Motion, the Government set up the Electric and Gas Companies Nationalization Commission with Secretary General Putuhena of the Ministry

---

30. Ibid., pp. 2836-2849.

31. Ibid., pp. 2851-2860. Afterwards Minister Johannesq remarking that members had forgotten to ask where the Government stood on the Saddake motion, declared that it approved it.

32. Government statement, 7 June, R.P. 1951, pp. 4657-4658.

of Public Works and Power as chairman. Two of the members were Kobarsjih and Iwa from Parliament. During its term which lasted about a year, the commission examined the legal, technical, and financial problems involved in the matter of nationalization and sent its recommendations to the Government.<sup>33</sup>

On 23 December 1952, shortly after the commission had submitted its final report, the Wilopo Cabinet decided that all electricity companies throughout Indonesia were to be nationalized, thus making the priority over the nationalization of gas companies official. In view of the condition of the state finances, which precluded total nationalization within a very short period, it ~~was~~ decided to commence by acquiring those companies owned 100 percent by private capital through expropriating them in accord with the provisions in their respective concession licenses.<sup>34</sup>

Since it was necessary to embark on thoroughgoing negotiations with the private companies affected, a new commission, the Electric and Gas Companies Nationalization Negotiation Commission, was established in April 1953. Meanwhile, the Government was undertaking a kind of positive Indonesianization. Not only did the Ministry of Public Works promote new or expanded electricity facilities in many towns and cities to be owned and operated by government agencies (often municipal services), but in the regions of Central and East Java, western Sumatra, Kalimantan, and Sunda Ketjil served by ANIEM and its subsidiaries the Government instructed ANIEM to expand its generating plants under Government financing, as a

---

33. Government reply to Maruto Nitimihardjo (Partai Murba) query, 3 June, I.P. 1952, p. 580; Antara, 11 Dec. 1952. Ir. SOEDORO Mangoenkoesoemo, who was to head the government's electricity distribution enterprises, was secretary of the commission.

34. Cf. "Keputusan Presiden R.I. No. 163", 3 Oct. 1953, Berita-Negara R.I. 1953, No. 85.

result of which the new facilities became the property of the Government.<sup>35</sup>

The December 1952 decision was publicly announced by the Ali Sastroamidjojo Cabinet on 2 September 1953 and given legal status by presidential decree a month later, when the nationalization of all electricity companies was "decreed", retroactive to the date of the cabinet decision.<sup>36</sup>

Although there was little reaction to the announcement by other members of Parliament, Kobarsjih was far from satisfied with the decision. He termed it out of line with not only the spirit and intent of his motion (which both the Parliament and the Government had approved) but also with the motion made at the previous congress of his union, the Sarekat Buruh Listrik dan Gas Indonesia, which had threatened to take a strong stand with all its consequences--should the nationalization of electricity and gas companies not be carried out by the beginning of 1954. Disappointed that the Government was only nationalizing companies entirely owned by private capital, he asked whether it was because the Government felt that it could already control the mixed enterprises.<sup>37</sup>

The Government replied that it would also expropriate mixed enterprises, but only when financial conditions permitted. In the meantime it already partially controlled them and could thus steer them in the direction of national enterprises. Kobarsjih had asked whether the Government was ready to urge the "patriotic workers" of the gas and electricity companies to carry out nationalization. The Government in reply emphasized that nationalization would be done according to the provisions in

---

35. Address by President Soekarno, 16 Aug. 1953.

36. Government statement, I.P. 1953, p. 781; "Keputusan Presiden R.I. No. 163/1953".

37. Speech, 7 Sept., I.P. 1953, pp. 814-815.

the concession licenses. Thus for carrying out the expropriation, three-man committees would be "set up, consisting of a member from the Government, one from the company, and the third jointly chosen by the first two. The committees were to determine which assets were to be taken over and to determine the cost. In this situation, the Government's member would rely for assistance upon those members of the company labor who were technically and economically skilled.<sup>38</sup>

By September 1953, the Department of Power of the Ministry of Public Works and Power had begun taking over the first power company to be nationalized, the Electriciteits Mij. Ambon, which for a year had been the target of a local campaign for nationalization. This was followed with the Electriciteits Mij. Balikpapan. Although comparatively small companies, they still were the principal public utilities in Maluku and East Kalimantan. Then, by 1954, nationalization of the large companies had begun when the electricity facilities of OGEM in the vicinity of Djakarta and Tjirebon were taken over.<sup>39</sup> These facilities were renamed Perusahaan Negara untuk Distribusi Tenaga Listrik (Pemuditel) and headed by Ir. Soedoro.

Next on the list for nationalization was Aniem, the company which had touched off the clamor for "nationalization", and which had already been informed in March 1952 that its concession, due to expire on 1 January 1956, would not be renewed. The Government decided first to nationalize Aniem's facilities in Central and East Java--the heart of the company's operations--on 1 August 1954, with the intention of nationalizing the rest

---

38. Government statement, 10 Sept., I.P. 1953, p. 833.

39. Government statements, 2 Sept., I.P. 1953, p. 781, I.P. 1954, p. 143. Local demands for the nationalization of E.M.A. followed a power cut during an Independence Day speech by President Soekarno. Ankara, 1 Sept. 1952.

of the parent company and its many subsidiaries when the concession expired.<sup>40</sup>

On learning of these plans from Minister of Public Works Mohamad Hasan (P.S.I.I.), the Communications, Public Works, and Power Committee of Parliament on 24 June 1954, following largely the recommendations of Kobarsjih, issued a protest and urged the Government to nationalize the wholeeAniem network by August 1954 and to endeavor to complete the nationalization of all gas and electricity companies by the end of August 1955.<sup>41</sup> The Government, however, proceeded on 1 November 1954<sup>42</sup> to take over only the Central and East Java facilities of Aniem.

Thus three years after the passage of the Kobarsjih motion, virtually all the electricity enterprises on Java were in Government hands, either through outright ownership or through mixed enterprises. These outlays were a heavy burden on the budget, especially since they occurred as the budget deficit for other reasons had been growing larger. Accordingly, they were not followed by similar measures for other private companies outside Java (including OGEM and Aniem plants) during the remainder of the period before the general elections.

Inheriting a critical financial situation, the Boerhanoedin Harahap Cabinet made no mention of further nationalization in its program, although it announced that it did plan to convert the nationalized electricity facilities into I.B.W. enterprises in order to rationalize their

---

<sup>40</sup> Abadi, 23 Apr. 1954. In February 1952, Ir. J.H. Ondang had become the Government's representative in the management of Aniem's head office in The Hague.

<sup>41</sup> I.P. 1955, pp. 20-22.

<sup>42</sup> Djawaban Pemerintah atas Pemandangan Umum Babak Ke-II Dewan Perwakilan mengenai Keterangan Pemerintah tentang Program Kabinet diutjapkan oleh Perdana Menteri Mr. Boerhanoedin Harahap dalam rapat pleno terbuka D.P.R. tanggal 14 November 1955, (mimeo., Djakarta, 1955), p. 66.



operations. Nevertheless, Kobarsjih, speaking again in the name of his union, demanded that all electric power companies remaining in private hands be nationalized all together before the end of 1955, suggesting that nationalization could lead to lowering the deficit in the State Budget. He also threatened that if the state electricity enterprises were operated on the basis of the I.B.W., all the personnel of the Department of Power would resign.<sup>43</sup>

Prime Minister Harahap reminded Kobarsjih, concerning the threat over the I.B.W. issue, that the leaders of the State were acting in the interests of the State and thus that there were no grounds for opposing its policy, especially since other vital Government enterprises were operated under the I.B.W. In regard to the demands for nationalization, he reported that those enterprises already nationalized instead of contributing a sizeable profit to the state, showed losses running at the rate of over Rp.20 million annually. Moreover, if companies were expropriated before their concessions had expired, the Government not only had to pay for the company's capital assets but also compensation for income lost over the unexpired period of the concession. In view of these facts, the Prime Minister took direct issue with Kobarsjih's claims that nationalization was a way to reduce the deficit in the State Budget. It was also announced that the Government's stand in nationalizing electricity companies depended upon whether its maintaining electric power generation and distribution was good for the progress of the State or not. If after due consideration it were found that nationalization hindered the progress of the State, the Government would be acting wrong if it compelled

---

<sup>43</sup>. Ibid., pp. 64-66. The Indische Bedrijfsrat authorized certain government enterprises to have personnel (and pay) regulations different from those of the civil service. Cf. "P.P.N. No. 2" in Chapter XVIII.

nationalization, free from the question of whether the State's finances would allow it.<sup>44</sup>

The debates over the Kobarsjih motion and subsequent developments brought out the fact that Indonesian political sentiment had not been openly divided on whether or not electricity and gas companies should be nationalized, an action proposed as early as the period of the Jogjakarta Republic, with which few took issue, possibly because they did not care to acquire the stigma of not being--in Djaswadi's words--a "real Indonesian." Moreover, virtually all major political parties agreed to the principle of a fair compensation, although some of the ultra-Marxist groups advocated placing the valuation on the property so low that the owners might consider nationalization equivalent to confiscation. The difference of opinion that was apparent during the debates and continued afterwards was over the timing of nationalization of these public utilities in particular, and in actuality over the timing of any nationalization in general. One group--principally the moderate religious, nationalist, and socialist parties and most policy makers in the Government--felt that nationalization should be given priority only after the country's limited capital resources had been put into new productive undertakings; the other group--primarily the radical nationalists and ultra-Marxists, personified by Kobarsjih--were certain that nationalization was in the country's best interests and so should be undertaken at once without regard to the question of where to get funds for new development projects.

The period under review indicated a compromise between the two divergent views; but largely because of the increased depletion of the reserves in the state treasury, it closed with an emphatic rejection of demands for (in Musirin's words) "nationalizing just for the sake of nationalizing."

---

<sup>44</sup>. Ibid.

## CHAPTER LXII: TRANSPORTATION

### Garuda Indonesian Airways

As the time for the arrival of a sovereign Indonesia approached, the Republican government began making plans for the important field of civil air transport. Under the Financial and Economic Agreement being reached at The Hague, pre-war concessions would be recognized. In 1940, the K.L.M.-subsidiary, K.N.I.L.M., had been granted a 40-year monopoly concession on air transport, and by 1949 the interinsular air service of the K.L.M. was operating this concession with some planes owned by the pre-federal government. Rather than continue an alien virtual monopoly, the Indonesians through negotiations at the end of 1949 with the K.L.M. management decided upon founding a new mixed enterprise to carry on the old concession. RIS President Soekarno chose the name "Garuda Indonesian Airways" for the company and was a passenger on the company's first flight -- from Jogjakarta to Djakarta -- on 28 December 1949.

On 21 December 1949, a provisional agreement was reached between the RIS Government, represented by Minister of Communications, Power, and Public Works Herling LAOH (who had initiated efforts for the new company shortly after the Hatta R.I. Cabinet had been reshuffled, and K.L.M., which specified that the two parties at the outset would share equally in the stock of the new company and that the RIS Government's contribution would be the planes it had inherited from the pre-federal government. The RIS Government would have an option to obtain a majority of the priority shares after ten years, while private persons would also be allowed to buy stock.

In place of the old concession which had ~~thirty~~ years to run, a new

30-year concession with monopoly rights was to be granted to GIA. For the first ten years, K.L.M. would undertake to manage the new corporation. Accordingly, she agreed to make available her own personnel at once so that there would be continuity in air transport in the islands. At the same time she agreed to begin intensive training of Indonesians in order that they might "so far as necessary" gradually take over the service. Representatives of the two share-holders would sit in the Board of Directors, the chairman of which would be nominated by the RIS Government.<sup>1</sup>

Garuda Indonesian Airways N.V., which was officially incorporated in Djakarta on 31 March 1950, thus sprang full-blown into the air with a fleet of 27 airplanes, trained personnel, airports, and scheduled flights, with the usual pioneering hardships of any airline having been borne by the predecessors. Within a few months it acquired its first Convair airliners,<sup>2</sup> and soon it was operating one of the best air services of any new nation. But the Dutch hegemony in the company's management rankled many nationalists and Marxists, and it repeatedly was a subject for discussion by some members of Parliament.

---

1. Information in the above two paragraphs was collated from: Mimbar Indonesia, 24 Sept. 1949; Antara, 21 and 23 Dec. 1949; Reply by Minister Laoh in Parliament to Muhammad Yamin query, 24 Mar. 1950, RIS Dewan Perwakilan Rakyat, Pertanyaan Anggota dan Jawaban Pemerintah, I, 106-107; Charter 136/1950; Statement by the Government (in reply to comments by Mr. Iwa Kusuma Sumantri), 25 Oct., Risalah Perundangan 1950, p. 2229; Ensiklopedia Indonesia, pp. 528-529. The clause allowing private persons (Dutch as well as Indonesians) to buy common stock was a dead letter, for the co-founders took all the stock at the outset.

2. The Indonesian Government bought the Convairs with money from the Export-Import Bank loan.

One of the first to inquire publicly about GIA was Muhammad Yamin (non-party) of the RIS Parliament, who asked what percentage of the shares the RIS had obtained solely for granting the aviation concession and what opportunities there were for other companies seeking aviation concessions. He inquired also about the ratio of Indonesian personnel in various positions, and indicated a wish that private Indonesians should have an opportunity to purchase shares. Minister Laoh, in reply, said that in effect the Government did not grant a concession but shared in holding one, and that in view of the R.T.C. Agreement recognizing pre-war concessions and the nature of GIA as a vital means of communication for Indonesia, no consideration could yet be given for concessions to other companies. Noting that there were no Indonesians in the flight section and very few in the ground and technical sections, Laoh declared that training for these needs would begin at once and that placement of Indonesians on the Management Board was being considered. Up to five million rupiahs worth of stock was to be made available to private persons, he declared.<sup>3</sup>

During the debates over the Natsir Cabinet program after the Unitary Republic had been established, Mr. Iwa Kusuma Sumantri (then in the "Blok Islam" faction) complained of the Dutch contral of the GIA management and expressed a fear that unless the control of alien experts over technical matters was stopped, Indonesians still would not be sufficiently trained to take over when the contract expired. He also suggested that the contract between K.L.M. and the RIS Government was not yet valid since Parliament had not ratified it. He recommended that the contract be changed so that the managing officers -- all of whom he proposed would be stationed

---

3. Pertanyaan Anggota dan Jawaban Pemerintah, I, 106-107.



in Indonesia -- would be selected by the Government as well as K.L.M. and so that the Government would have the right to terminate any of them in the public interest. He proposed that the contract be limited to five years, the capital ratio be changed to 80:20 in favor of the Government, and that the number of alien employees be reduced." He further opposed any monopoly clause, which permitted GIA to intervene in any air transport" matters in Indonesia.<sup>4</sup>

The Government replied that its goal of nationalizing the aviation industry had not been dropped, since it was possible to attain it in ten years while Indonesianization of the GIA personnel was taking place. It declared that GIA had been formed in order to avoid a vacuum in air transport after the transfer of sovereignty. Moreover, although K.L.M. handled the management, the Government controlled its direction according to the concession.<sup>5</sup> Iwa was most dissatisfied with the reply. If the Government wanted to nationalize after ten years, he pointed out, it would have to pay a penalty of 3<sup>1</sup>/<sub>2</sub> percent of the gross annual income of GIA times the number of years remaining in the concession (20), in addition to buying the shares held by K.L.M. He called on the Government to nationalize immediately on the grounds of an illegal contract (which had not been ratified by Parliament and which injured the state) and not to pay anything -- as had

---

<sup>4</sup> Speech, 3 Oct. R.P. 1950, pp. 1263-1267. Iwa's argument that the GIA contract had to be ratified by Parliament was based on Constitution Articles 88 (that basic regulations on transport had to be determined by statute) and 38.

<sup>5</sup> Government Statement, 11 Oct., R.P. 1950, pp. 1842-1843.

been done with the Fox Contract. There was no shortage of equipment, he declared, and several dozen American, Filipino, Indian, and other pilots and technicians could be hired to fill the shortage of technicians. That there would otherwise be enough trained Indonesian technicians within ten years he called an empty hope, for after almost a year of operation GIA had not trained an Indonesian pilot or other technician. Iva also disputed the validity of the excuse of "filling the vacuum", since K.L.M. pilots and other personnel had continued to serve the Government during the period before the contract was signed on "April Fool's Day." He insisted, furthermore, that the current concession was far worse than the old one, alleging that the Government had virtually no voice in the management of GIA which was administered by the K.L.M. head office in the Netherlands -- since GIA had refused to accede to a Government request that it change its route to Menado during the Andi Aziz Affair unless the Government assumed all risks. Therewith, he repeated his demand that the GIA contract be changed along the terms he had suggested and especially that its monopoly be ended.<sup>6</sup>

In rebutting Iva's charges, the Government asserted that it did not need to exercise its right to nationalize after ten years, for it then would be able to have a majority control of the stock. Moreover, by the end of 1959 it planned to have the entire GIA personnel consist of Indonesians ( a point which it intended to discuss with K.L.M.). Contradicting Iva, it stated that the old concession -- which would have bound the Government after the transfer of sovereignty -- had no provisions for training. It declared that the anxiety over a possible "vacuum" had been real, that it was only easy in

---

6. Speech, 18 Oct., R.P. 1950, pp. 1972-1976. Based on the current annual income, Iva calculated the penalty would amount to Rp. 56,000,000.

theory to attract foreign experts, and that a commercially-run air lines required more than a collection of pilots at a high cost in foreign exchange! Furthermore, the immediate management was in the hands of persons stationed in Indonesia, who had full authority.<sup>7</sup>

Since there were customarily only two rounds of debates on any matter in Parliament, Iwa the following week reiterated his views in a series of questions to Minister of Communications and Transport Djuanda. The minister replied that although there were certain matters about the contract with K.L.M. which the Government did not approve of, considering the circumstances under which it was signed, the Government accepted it, for it could not be said to be greatly detrimental to the State. Moreover, the Constitution did not require that such a contract be ratified. Regardless of its role in GIA, the Indonesian Government had jurisdiction over such civil aviation matters as routes, frequency, and fares. At that time, 335 persons -- one-quarter of whom were Indonesians -- were receiving administration and mechanical training in order to replace attached K.L.M. personnel. Meanwhile, the Government itself was arranging separately for pilot training. Admitting that GIA had been given a monopoly, the Government declared that this had occurred because "there had to be guarantees for the development of GIA as a transitional company in which the Government had an interest. It also pointed out that domestic air transport was based on monopolies in all

---

7. Government Reply, 25 Oct.; R.P. 1950, pp. 2229-2231. The Government remarked that since aviation affairs were far from satisfactory, it would endeavor to make improvements by going beyond the 80 percent control recommended by Iwa. It also declared that GIA had flown to Makassar during the Andi Aziz Affair.

countries with developed civil aviation, except Brazil and the United States.

The Government continued making plans for expanding air service and nationalizing GIA by 1960,<sup>9</sup> but the proponents of an earlier nationalization obtained a new spokesman in the person of Asrarudin (Partai Buruh), chairman of the Public Works, Power, and Communications Committee of Parliament, who in mid-1951 voiced alarm at the fact that most transport including air transport was still controlled by aliens.<sup>10</sup> A year later, during the debate on the program of the Wilopo Cabinet, he declared that the principal objection about GIA was that its management was in the hands of K.L.M. in The Hague. He analyzed this objection in five parts:

- (1) Political: The fact that domestic air service was a special national interest was especially true in nationally-conscious Indonesia which depended upon air transport; the problem was intensified because of the emotional relation between the two countries involved;
- (2) Organizational: The actual and sole executive was in The Hague, thus calling its agent in Djakarta "Managing Director" was a deception; moreover, the board of directors, which was authorized to settle disputes among the managers (of which there was only one) had never met them;

8. I.P. 1950, pp. 583, 585-586. The Government asserted that if it nationalized GIA after ten years, the compensation factor used would be 1.5 rather than  $3\frac{1}{2}\%$  of the gross annual income. It observed that American feeder lines had no competition!

9. Cf. statement of policy concerning air transport, I.P. 1952, n. 578. Already in late 1950 the Government had formed a commission to review the contract with K.L.M. Ichtisar Indonesia Sepekan, 29 Jan. 1951.

10. Speech, 2 June R.P. 1951, p. 4543.

- (3) personnel: all top positions were in Dutch hands, and over 55 percent of the intermediate and senior personnel were Dutch; the necessary desire to work together in the national interest was lacking, and the employees were represented by six unions which promoted their own separate interests;
- (4) juridical: according to the GIA charter, the only member of the managing board was K.L.M.; thus the corporation president (managing director) could be changed only by amending the GIA charter, and the charter could be amended only by unanimous consent at a meeting of stockholders (including K.L.M.); this violated Art. 44, Sect 2 of the Commercial Code which stated that a president may not be appointed if it is impossible to replace him later;
- (5) military: GIA was in the hands of K.L.M., but in time of war it had to be in a position to be militarized.

As sentiment in favor of an early nationalization of Garuda grew, the Government revised the scope of its negotiations with K.L.M. and by mid-1953 had secured agreement to its purchasing the GIA shares held by K.L.M. However, the Dutch company did not at first wish to relinquish the management of GIA and proposed instead that the office of the management be moved from The Hague to Djakarta. On 7 August, Asrarudin announced that the Communications Committee wanted the Government to buy out K.L.M.'s shares during 1954 and automatically to take over the management. That same day the new Minister of Communications, Abikusno, asserted that such was indeed the Government's intention.<sup>12</sup>

11. Speech, 6 Jun, I.P. 1952, pp. 632-633. According to Asrarudin, of 1600 intermediate and senior employees, 900 were Dutch and peranakan (half from Europe and half hired locally), 400 were Indonesians, and 300 were Chinese. He also objected to the size of the annual honorarium paid to K.L.M. as manager (averaging about f. 1.3 million).

12. Antara, 7 Aug. 1953. S. Hadikoesemo, on behalf of the P.N.I. faction, later in the month called for complete Government ownership of GIA within a short time. Speech, 31 Aug., I.P. 1953, p. 772.

In reply, Prime Minister Ali repeated that the Government hoped to buy up all the shares held by K.L.M. by early 1954. Statement, 2 Sept. I.P. 1953, p. 782.



The decision having been made, in January 1954 a delegation was appointed to negotiate a settlement with K.L.M., and Professor Soepomo was named its head. Finally, on 24 March, an agreement was signed under which K.L.M. sold its shares in GIA to the Indonesian Government while undertaking to provide technical assistance until 1960.

The position of President of the newest and most famous state corporation was offered to the economic elder statesman, Professor Sunaria Kalapaking, who turned it down. Consequently, when the new management took over on 12 July 1954, it was headed by Acting President Soetoto, Secretary General of the Ministry of Communications. A year later, in June 1955, Soetoto resigned from his position in the ministry and became full President of Garuda.

At the time of the installation of the new Indonesian management, the Ali Sastroamidjojo Cabinet Indonesianized GIA's Board of Directors, appointing twelve members -- two more than provided for in the charter -- of whom ten were representatives from the ten factions in Parliament supporting the Ali Government. Mr. Wilopo (P.N.I.) was appointed Chairman of the Board.<sup>13</sup>

#### Pioneer Aviation Corporation

The strength of the monopoly position of GIA, as successor to the K.L.M. interinsular service, to which Iwa had objected so strongly in 1950,

---

13. Pedoman, 5 July 1954; Antara, 12 July 1954. Two civil servants were appointed to the board, Ir. R. Soerjomihardjo (as Deputy Chairman) and Ir. Darmawan. Asrarudin, appointed to the seat for Partai Buruh, turned down the appointment because the number of members exceeded that specified in the charter, and he rejected any charter change solely in order to award seats on the GIA board to Government factions.

was borne out in practice several years later. On 19 January 1953, the Pioneer Aviation Corporation N.V. was legally established as an indenpendent operation by several men who had been active in the Indonesian Revolution. Its two managers were Abundjani, a Djambi businessman, and David F. Fowler, an American pilot, and Dr. A. K. Gani headed its board of directors. When the company's charter was first drawn up, it provided that 51 percent of the stock had to be owned by Indonesian nationals. However, seventeen months had elapsed before the Government legalized the charter, and it did so only after the minimum stipulated proportion of Indonesian ownership was increased to two-thirds.<sup>14</sup>

Since much of the Indonesian archipelago was not served by GIA, the new company felt that there was a place for it and its two small ~~planes~~. P.A.C. originally applied to handle its own routes in addition to charter service. However, the license finally granted by the Ministry of Communications specified that P.A.C. service had to be unscheduled and that its routes could not compete with Garuda, which had priority to all routes. It thus occurred that P.A.C. developed profitable service to such places as Tandjung Karang and Sibolga, only to have GIA then preempt these routes.

However, it was in another field that the company won greatest acclaim. This took place in August 1953, when a shipboard fire prevented the departure of the last scheduled pilgrim ship for Arabia. After a K.P.M. replacement took the majority of the passengers, it appeared that 280 still would be stranded and unable to reach Arabia in time for the pilgrimage. P.A.C. came to the rescue by chartering four 4-engine planes from C.A.T. and flying the

---

<sup>14</sup>. See Charter 280/1953. Three-quarters of the P.A.C. stock was held by Indonesians, of whom Dasaad was the leading stockholder. The amended charter was changed again to provide that the unissued preferred stock could only be sold to the founders and the Indonesian Government.

remaining pilgrims including several dignitaries to Arabia on time.<sup>15</sup>

Nevertheless, the continued lack of support of the Ministry of Communications led Dr. Gani to charge in public that its officials concerned with civil aviation and their Dutch advisors were under the dictation of GIA, which favored "Dutch colonial enterprise!" When Sahetapy Engel (Demokrat faction) broached the subject in Parliament, Prime Minister Ali Sastroamidjojo denied that such dictation existed, asserting that although the Ministry of Communications kept in close touch with GIA, the ministry itself determined all routes. The Government's attitude was that vital communications had to be controlled entirely by the Government. But despite the Government's monopoly, in view of the needs arising in the community, the Government did not reject private initiative so long as it was a supplemental effort in meeting these needs. The primary condition for such an enterprise was that it be a national one, i.e. that at least two-thirds of its shares be held by Indonesians, Ali asserted.<sup>16</sup>

P.A.C., deprived of its successful routes, quickly lost money. Consequently, by the time Dr. Gani was appointed Minister of Communications on 19 November 1954, the hope that the company might find relief could not be realized, for it -- the first private Indonesian air company -- was already moribund.

#### The Railways

The transportation sector which evoked the fewest demands for Indonesian

---

<sup>15</sup>. Outgoing Minister Djuanda was one of the passengers. Cf. Abadi, 13 Aug. 1953.

<sup>16</sup>. Engel Speech, 28 Aug., and Government Reply, 2 Sept., I.P. 1953, pp. 733-734, 782.

ization was the railways, although approximately half of the trackage in Indonesia at the beginning of 1950 was still owned by private corporations. The principal cause of this lack of concern, of course, was that the eleven interurban railway companies on Java had continued to be operated by the state railway system since the war period. Only the urban Bataviasche Verkeers Mij. and Deli Spoorweg Mij. in East Sumatra, had been returned to their owners after the first military action.

After the formation of RIS, the D.K.A. continued to operate the railways on Java, including the private systems in with the state-owned. The degree of personnel Indonesianization was far advanced since those who had been employees of the private corporations were made temporary employees of the D.K.A. and thus brought within the scope of civil service regulations while "on leave" from their original companies.<sup>17</sup> The D.K.A. meanwhile continued to make payments to the shareholders of the private corporations (principally in the Netherlands) for the use of the property of their companies.

There was little pressure for immediate expropriation of the eleven railways, although the R.T.C. Financial and Economic Agreement mentioned the possibility and the Governments from the RIS period onward had latent

---

17. By "Peraturan Pemerintah No. 31" of 1953, employees from private railway companies became eligible to government pension rights effective the beginning of 1950. During the debates on the Ali-Sastroamidjojo Cabinet's program, no direct response was made to the request of Emon Bratawidjaja (Partai Buruh) that such personnel be made civil servants. I.P. 1953, p. 756.

18. According to Asrarudin, the D.K.A. made payments of a half million rapiers monthly for such purposes. R.P. 1951, p. 3859.

intentions eventually to take such measures.<sup>19</sup> Pressure to expropriate was lacking partly because the existing arrangement worked well in practice and it gave the State complete control of the eleven private lines, and partly because the State's finances would not tolerate heavy disbursements to compensate the owners. Moreover the D.K.A. consistently operated at a loss and so did not have funds of its own to be used for expropriation. Thus, following an inspection trip in Java in late 1950 by a few members of the Communications Committee, only one member called for the state to take over the private railways.<sup>20</sup>

In 1952, the Wilopo Cabinet's statement on communications policy declared that discussions were under way for the Government to obtain possession of the private railways. Accordingly, by September the commission studying problems connected with their nationalization, headed by D.K.A. Chief Effendi Saleh, submitted a report calling for the nationalization of the eleven railway companies on Java.<sup>21</sup> Probably because of financial reasons, no priority was given to this goal.

There was relatively little sentiment to nationalize the D.S.N., partly because its system did not compete with the state lines as did the private railways in many parts of Java. In 1951, two somewhat paradoxical views on

---

19. Cf. Hatta remarks, 19 June I.P. 1950, p. 259.

20. The lone proponent was a Communist (Ir. Sakirman). See his inspection report read 25 Jan. 1951, R.P. 1951, p. 3842. The only private company he specified by name was the "Nederlandsch Indische Mij." (referring probably to the "Nederlandsch-Indische Spoorweg Mij.").

21. 1952, p. 577. Antara, 30 Sept. 1952.



the subject were expressed in Parliament. Gusti" Djohan (Masjumi), returning from an inspection of the harbor congestion at Belawan and finding the D.S.M. service for the port insufficient, recommended that the Government take over the company, or at least control it.<sup>22</sup> Djoko Soedjono (P.K.T. chairman of SOBSI) noted that the D.S.M., owned by foreign capital, fully implemented provisions of the 1948 Work Law and still operated well. In contrast, the government's own D.K.A. permitted longer hours than provided by the law, while its workers did not demand all that they were legally entitled to -- and still it could not run well. Was it wrong, he asked, if D.S.M. workers felt, "We no longer demand the nationalization of the D.S.M. because our fortunes would then grow worse"?<sup>23</sup>

P.P.D.

A. different situation was encountered by the Bataviasche Verkeers Mij. N.V., which operated tram and bus service in Djakarta. It appeared to be plagued with a shortage of equipment and overcrowding on the one hand and widespread non-payment of fares on the other. Despite the fact that its vehicles usually operated at or near capacity, it -- like the State railways -- operated at a loss, which rose to Rp. 150,000 per month. Some labor leaders, associated with SOBSI, demanded the company's nationalization, blaming the losses on corruption by the management. A government inspection, however, revealed that some of the operating personnel were intimidated by hoodlums, that many of its conductors failed to issue ticket-receipts to passengers on receiving the fares, and that there was large-scale withholding of receipts from the company.<sup>24</sup>

---

22. Report read 14 June, R.P. 1951, p. 5064.

23. Speech, 2 June, R.P. 1951, p. 4596.

24. Cf. Jusuf Wibisono, "Nasionalisasi", Mimbar Indonesia, 31 July 1954, p. 5. Sin Po (Djakarta), 3 Nov. 1952.

On 12 July 1951, the Djakarta court granted the B.V.M. petition for a temporary postponement of payments on its debts and appointed administrators representing the Government.<sup>25</sup> Not long afterwards Asrarudin submitted to Parliament a motion for the nationalization of the B.V.M.<sup>26</sup> In view of the continued losses and campaign of hostility, the B.V.M. management in late 1952 announced that it was unable to continue the service. Accordingly, the Wilopo Cabinet agreed that the enterprise should be nationalized. On 1 November 1952, it was provisionally placed under the full supervision of the Ministry of Communications and the municipality. The Government paid subsidies to cover the losses which continued to exist and assigned plain-clothesmen to trams to maintain order where necessary.<sup>27</sup>

Late in 1953 the Government began to buy up outstanding B.V.M. shares, offering 23 1/3 percent of par value in Dutch currency (or thrice that in rupiahs) -- an amount sixty percent above the maximum price quoted on the stock market during 1953.<sup>28</sup> The B.V.M. continued to operate with Dutch managers but under Government custody until mid-1954. Finally, on 12 June of that year, an emergency law for the nationalization of the B.V.M. was proclaimed. One of the grounds for the law, so read its elucidation, was that "the legal consciousness of the public" demanded that public transportation in the capital city of Indonesia be managed by Indo-

---

25. Berita-Megara R.I. 1951, p. 450. The administrators were officials from the Ministry of Communications and the Djakarta municipal government.

26. Cf. I.P. 1952, p. 2.

27. Sin Po, 3 Nov. 1952; Keng Po, 23 Dec. 1952.

28. Government statement, 15 Feb., I.P. 1954, pp. 130-131. The formula of 60 percent over the market price was copied from that used in buying up Java Bank stock.

nesians themselves. The law provided that "shares of B.V. stock not yet owned by the Republic were to be expropriated, with compensation at the rates it had been paying earlier."<sup>29</sup>

The nationalized B.V.M. was renamed P.T. Perusahaan Pengangkutan Djakarta (P.P.D. -- Djakarta Transit Company, Inc.), and Indonesians took over the management. Within one month, one of its managers announced that since nationalization the company was operating at a profit and ascribed this phenomenon to the increased diligence of the workers and increased discipline among the passengers. In the light of continued losses in the railways and many other state enterprises, one canny observer suggested that it was still too early to accept the announcement as proof that if only an enterprise were nationalized, its labor productivity would increase and its profits would mount.<sup>30</sup>

#### Bus Transportation

Indonesianization of bus transportation was to have important ramifications throughout the entire Indonesian community, for the bus -- not the plane, the train, or even the boat -- was probably the most ubiquitous common carrier. Moreover, although Indonesianization of air and rail transport could proceed without a significant public stir, since the property of foreigners was affected, that process applied to highway transport had further domestic repercussions, for it struck at the position of a resident minority -- the Chinese -- Indonesian citizens as well as aliens. The motivating power behind this process, making it a program, was the man who for the second time in his career held the port-

---

<sup>29</sup> "Undang Darurat No. 10, 1954". This nationalization law in large part paralleled that for De Javasche Bank.

<sup>30</sup> Wibisono, op.cit., p. 5.

folio of Communications through three straight cabinets, Ir. Djuanda."<sup>31</sup>

When the program of the Natsir Cabinet was explained to Parliament, the Prime Minister announced that its transport policy would be based on Art. 38, Sec! 2 of the Constitution and that it believed that opportunity and assistance should be given to "national enterprises"<sup>4</sup>, especially in the field of motor transport ( and shipping). For the sake of uniformity and a fair and rational distribution of equipment, it was declared that the central government rather than the regional governments would initially control this sector.<sup>32</sup>

Two months later, members of the Parliament's Communications Committee made inspection trips to various parts of the country, and they reported their findings to Parliament on 25 January 1951! Regarding bus service in his home province of East Java, Dr. ATENG Kartanahardja reported a significant difference between the status of "oldtimers", who were about ninety percent "non-Indonesian", and "newcomers", who were almost all "indigenous" Indonesians! The former, mostly family operations with the most experienced personnel, had the most equipment and routes. Whereas their vehicles had been acquired principally before the "money-cutting", those of the newcomers had been afterwards; thus they had to pay a triple price. Most of the

---

31. Djuanda had served in every cabinet save the first (Soekarno) one in 1945. After being Vice Minister of Communications in the 1st and 2nd Sjahrir Cabinets, he served as Minister in the 3d Sjahrir, the two Amir, and the 1st Hatta Cabinets! As Minister of State in the 2nd Hatta Cabinet, he headed the Economic Commission of the Indonesian Delegation to the Round Table Conference at The Hague, as a result of which he was awarded the position of Minister of Prosperity in the Hatta RIS Cabinet. In this position, he spearheaded the first program favoring indigenous Indonesians, in importing (see Chapter XXIV)".

32. Statement, 21 Sept. R.P. 1950, pp. 358-359.

initial investment of the oldtimers had been recovered, depreciation funds had been set up, and their financial position was strong. They could thus afford to provide low fares. Newcomers, with costly initial outlays and higher fares, found it difficult to compete. Ateng noted, too, that oldtimers wanted to expand their companies, while newcomers wanted facilities and protection from the Government. Analyzing the situation, Ateng observed that from the standpoint of the economy, while the oldtimers were still quite necessary, the Government ought to give attention to "national demands" of the indigenous Indonesian newcomers, whose weak financial condition necessitated Government protection. However, facilities, priority, and credit were not enough. If such national companies were to be operated economically, he declared, leadership had to be provided for their operations.<sup>33</sup>

Asrarudin found motor transport in West Java in general good, although eighty percent owned by "non-Indonesians". The largest company, "Tan Luxe", with about forty busses, was Chinese-owned, as were most of the others. The few Indonesian newcomers had at most four busses. Asrarudin recommended that the granting of routes be restricted so that companies with little capital could also get routes in populous areas and that a law be made to protect small capital, especially "national capital", so that "national companies" could grow.<sup>34</sup>

---

<sup>33</sup>. R.P. 1951, pp. 3853-3858. Elaborating on his last suggestion, Ateng recommended that regional transport foundations be set up into which "national" bus companies would be merged. Leadership and support would then be provided for the associated companies.

<sup>34</sup>. Ibid., pp. 3861-3863. Asrarudin also noted the lack of uniformity in granting franchises (some were for a specific period, others were indefinite; some specified the number of busses for each route, others did not).

"Tan Luxe" also operated in East Java.



Abdullah Jusuf reported that ninety-five percent of the transport companies in East Sumatra (operating 3316 busses, trucks, trailers, and taxis, etc.) were owned by aliens (Chinese). However, four of the eight companies on the important Medan-Bukit Tinggi run were owned by Indonesians.<sup>35</sup>

In Central Java, according to Ir. Sakirman, transportation in the regions which had passed to the Dutch after the first military action was virtually entirely in the hands of "oldtimers" (Chinese). Furthermore, the few new companies operated by Indonesians out of Jogjakarta and Solo appeared far from strong.<sup>36</sup> Data subsequently published for Central Java showed that the routes served daily by common carriers increased from 18,478 kilometers at the beginning of 1950 to 53,020 km at the end of the year. In the beginning of the year, alien companies (read "Chinese") accounted for 97 percent of this service, and "mixed enterprises" (of Indonesian and Chinese) for the balance. At the end of the year, the alien companies, while doubling their mileage, took only 64 percent, the mixed companies accounted for 26 percent, and "national" (read "indigenous Indonesian") companies, almost ten percent.<sup>37</sup>

The Communication Committee's Report contained in its conclusion a recommendation that routes be reviewed and redistributed "to end unhealthy competition and provide expanded and fair opportunities to national business." It was suggested that government enterprises, "mixed enterprises", and "private enterprises, exclusively emphasizing and supporting national enter-

---

35. Ibid., pp. 3865-3869. By 1952 there were only 5, 8, and 2 bus companies owned by Indonesians in East Sumatra, Tapanuli, and Atjeh, respectively. R.I. Propinsi Sumatera Utara, pp. 638-639.

36. R.P. 1951, pp. 3848-38531

37. R.I. Propinsi Djawa Tengah, pp. 363, 364.

prises" could operate in the field of motor transport.<sup>38</sup>

But the week before the committee report was read, recommending support for "national" enterprises, Minister Djuanda had taken the first step in the direction of the goal in the cabinet policy statement by issuing a circular communication to all governors on 16 January 1951 urging that consideration be given to the citizens who were still "economically weak" when granting bus franchises!<sup>39</sup>

The communication offered a "guide" to be followed in granting franchises

(1) when approving bus routes, franchises for half of the busses needed should be given to Indonesian citizens who had operated such routes commendably before the war; half of the balance of franchises should be given to other Indonesian citizens, who according to information from local officials might be expected to operate their companies in the public interest. Bus companies, as servers of the domestic interests, should properly be managed by Indonesian citizens. In interpreting "citizens", it should be remembered that the Government is obliged to assist and protect the group of citizens who are economically weak;

(2) for a company to be considered "Indonesian", its president or managers must prove their Indonesian citizenship and seventy-five percent of its capital stock must be held by citizens. The company's charter and books

---

<sup>38</sup>. R.P. 1951, pp. 3836-3841. "Mixed enterprises" here was not defined. It might have meant either companies in which both government and private capital participated or companies in which different ethnic groups participated (see preceding paragraph)!"

<sup>39</sup>. Statement by Secretary-General Soetoto of the Ministry of Communications before Parliament, 19 June, R.P. 1951, pp. 5155-5158.

should be scrutinized;

(3) utilization of rights to pre-war franchises will no longer be approved;<sup>40</sup>

(4) route applicants will be informed that the grant of a franchise depends upon their readiness to sign a contract for a joint enterprise (perusahaan bersama), a model of which will be supplied later;

(5) applicants for franchises or renewal of franchises will be obliged to hire former DAMRI employees or demobilized men.

Technically the Minister of Communications could only propose a guide, for under existing law provincial governors were authorized to grant the franchises. Since, in fact, a variety of officials had issued franchises in the immediately preceding years and the terms of the franchises had been quite varied, and since it was alleged that some of the governors did not have adequate staffs for administering a proper franchise policy, Minister Djuanda -- in line with the Government's policy statement of September 1950 -- sought in effect to reverse temporarily the allegedly prevailing trend of decentralization in government and to obtain for his position the authority to grant franchises. Accordingly, the Government submitted a bill to Parliament for amending the authority-bestowing sections of the pre-war Highway Traffic Law as well as certain other sections in order that necessary implementing regulations could be issued to facilitate the attainment of the primary goal in transport: "the development of a national transport apparatus formed of trans-

---

<sup>40</sup>. Soetoto commented that thus the Ministry of Communications recognized neither "historical rights" nor the existence of "newcomers" (appellations made by the Dutch in the late forties).

port companies most of which are national.<sup>41</sup>

Discussion of the bill by the plenary session of Parliament did not take place until 19 June, the day after the new Sukiman Cabinet had received its vote of confidence. Ir. Soetoto, Secretary General of the Ministry of Communications, presenting the bill on behalf of the Government declared that centralized granting of bus franchises was temporarily needed: (1) to guarantee uniform execution of franchise regulations; (2) to provide the best possible coordination of routes among the bus companies themselves and between them and the state railways; and (3) to carry out the Government's ideals of advancing genuine national transport companies. To those who wanted a review of the franchises granted by the Dutch because they felt that the old traffic law had been an obstacle to the growth of new national enterprises, he gave assurances that the Government had already started such reviewing.<sup>42</sup>

J.B.A.F. Mayor Polak (representing European peranakan and P.S.I.) questioned whether franchise-granting authority needed to be centralized for (referring to point 3) he felt that regional governments had the same ideal goals. Soetoto responded by stressing the first two reasons (uniformity and coordination). SARINO Mangoenpranoto (P.N.I.), observing that a state whose government is "national" should give guarantees to national businesses so that they will in turn guarantee the people's prosperity, declared that the state would not meet its obligation simply by granting future franchises to newcomers, for the routes not yet served were in the sparsely-settled areas.

---

<sup>41</sup> Cf. Tambahan Lembaran-Negara R.I. No. 114. The Highway Transport (or Traffic) Law was originally the Wegverkeers-ordonnantie of 1933, rendered in Indonesian as Undang<sup>2</sup> Lalu-lintas Djalan.

<sup>42</sup> E.F. 1951, p. 5134.

As a result of the historical rights of the Dutch period, the populous routes had already been secured by aliens (he did not know whether they were citizens, "candidate citizens," or what). Consequently, he recommended, the Government should be ready to review the distribution of franchises and make regulations based on justice so that newcomers would receive equal treatment with existing strong operators over the heavily populated routes. In reply Soetoto, expressing a hope that the term "newcomers" would not be used any more, declared that thitherto "new enterprises" (sic) were also given "fat" (populated) routes. Admitting that only sparsely-populated routes remained to be granted, he suggested that the problem could be fairly solved by centralization of the franchise-granting authority and a review of franchises that were expiring. Soetoto also acknowledged that there was evidence that many national companies were only used as fronts for alien capital, and that although company charters were inspected, it was still possible for secret agreements to exist<sup>43</sup>.

The fact that "historical rights" priorities appeared to be guaranteed by certain sections of the existing traffic law disturbed various members. A special committee headed by Ir. Pangeran M. NOOR (Vice Chairman of the Communications Committee) had proposed that historical rights be restricted only to Indonesian citizens, but the Government had demurred. Mayor Polak suggested that aliens -- and not "alienated" citizens -- might be excepted from such rights, which were otherwise necessary for the sake of continuity of service. Achmad Soemadi (P.K.I.) proposed that the section under discussion be replaced by one giving priority first to state-owned enterprises, second, to "national enterprises", and third, to companies applying for renewal

---

43. Ibid., pp. 5140, 5146-5149, 5152-5155, 5162-5163



of their franchises. Iwa remarked that it would be peculiar if the Government inserted no clause requiring support for national enterprises in the statute. In reply, Soetoto declared that there should be no anxiety over the retention of historical rights, for the Minister of Communication's circular of 16 January no longer recognized them. He also declared that there were no "alien citizens", only "citizens".<sup>44</sup> Nevertheless, K. Werdojo felt that the Achmad Soemadi proposals had merit, and he introduced a draft amendment to change the traffic law in that respect.<sup>45</sup>

When debate resumed on 20 June, Ir. Soetoto repeated that in practice the unpopular section was no longer implemented and that it was improper to place detailed implementing regulations in a statute. Regarding the proposed amendment itself, he found it to concern only the granting of new franchises, while the existing clause concerned only the renewal of expired franchises.

In an obvious reference to the problem of legitimizing discrimination, he also inquired whether the term "national enterprise" (perusahaan nasional) in the text of the amendment referred to a company of an "Indonesian citizen", or an "indigenous Indonesian citizen", or a "citizen who was economically weak".<sup>46</sup>

After Achmad Soemadi reiterated that the amendment was necessary to protect national businessman, and Ir. Sakirman declared that the proposed system of priorities had been acceptable to Minister Djuanda at a meeting

---

<sup>44</sup> Ibid., pp. 5140-5141, 5150, 5155-5158, 5163. The principal clause recognizing historical rights was Section 5 of Article 32 of the traffic law.

<sup>45</sup> Ibid., pp. 5167-5168. Other sponsors of the amendment were Achmad Soemadi, Sakirman, Nona Soewarti, and Nj. Moedikdio (all of P.K.I.).

<sup>46</sup> Ibid., pp. 5187-5188.

with the Communications Committee, the meeting was recessed while the proponents and Ir. Soetoto worked out a compromise amendment". This merely added a new article to the traffic law, which declared that any provisions of the law providing priority on the basis of historical rights were rescinded". With this addition, the bill was accepted".<sup>47</sup>

With his authority to control the franchising of land transport companies recognized by law, Minister Djuanda effective 1 July began issuing new franchises giving priority to Indonesian companies, in accord with his circular instruction of 16 January 1951, which had in effect been confirmed by Parliament. The year was significant, for on 27 December, the two-year period during which residents of Chinese descent with claim to Indonesian citizenship could reject such citizenship came to an end". This event could have had important repercussions in the field of bus and truck transport". Data on ethnic or national status of ownership of bus companies at the end of 1951 for Central Java, may reflect the situation in many other areas too". At that time bus service had risen to 78,066 km. daily provided by 57 companies. Mileage of routes served daily by "aliens" dropped from 64 percent at the beginning of the year to 5.7 percent, reflecting the fact that relatively few eligible ethnic Chinese bus operators had rejected Indonesian citizenship. At the same time the new category of "citizens" (read "of foreign descent") operated companies serving 51.5 percent of the route mileage. Mileage for the category of "nationals" (read "indigenous citizens") trebled, and its proportion rose to 21.8 percent,"and while mileage rose slightly

---

47. Ibid., pp."5190-5194. See "Undang' 2, No. 7" of 1951.

for "mixed citizen nationals", its relative share dropped to 21 percent.<sup>48</sup>

When the Wilopo cabinet was formed the next year, Djuanda retained the portfolio of Communications. Consequently, the new cabinet continued the transport policy of the old, i.e. it favored the transfer of means of transportation which were not considered absolutely vital, to private national businesses under the supervision of the Government. The particulars presented in 1951 were reiterated.<sup>49</sup> In the ensuing debates over the cabinet's program, as usual, one of the speakers was Siauw Giok Tjhan (non-party representative of the Chinese minority, who consistently attacked non-Chinese foreign capital while supporting enthusiastically the capital of residents of Chinese ancestry, whether or not citizens of Indonesia). He expressed a hope that the Government would recognize that there were no grounds for discriminating between "indigenous" and "non-indigenous" residents after 27 December 1951. He also hoped that efforts to protect those economically weak would be directed at those who were really in that condition, regardless of national origin, and that the misconception that a millionaire named "Kromo" (a Javanese) should be entitled to "facilities" while a pauper named "Tan" should not, be ended. And so he called for the Government to revise existing regulations for acquiring bus and truck lines (and becoming a "benteng" importer) so that fellow citizens of the same economic status would have an

<sup>48</sup> R. I. 1 Propinsi Djawa Tengah, pp. 364-365. For comparative data for the end of 1949 and 1950, see above. Figures for the Special District of Jogjakarta showed all licensed busses to be in the category of Indonesian (none in "alien", the only other category listed). R. I.: Dacrah Istimewa Jogjakarta, pp. 427-430.

<sup>49</sup> Cf. written replies of the Government, 3 June, I. P. 1952, pp. 577-578.

equal opportunity to progress free from racial discrimination.<sup>50</sup>

On the other hand Slamet Tirtosoebroto (P.N.I.), picking up where his colleague Sarino had left off a year before, observed that the profitable routes had fallen to "non-national" businessmen because of historical rights, while private "national" businessmen -- who were economically weak because of colonial policy and less experienced -- were unable to compete with them. Rather than just "supervision" according to the Government statement, he called on the Government to end historical rights, and to protect, promote, and where necessary give facilities to private businessmen in transportation.<sup>51</sup>

In reply, the Government reminded him that priorities based on historical rights had long since ended. Moreover, whereas ninety percent of the franchised busses before the war had been in alien hands, by June 1952 half of the bus companies and two-thirds of the total busses throughout Indonesia had come into the hands of "economically weak Indonesian citizens." The Government then gave notice that it would shortly issue new guides aimed at increasing the number of national companies by granting franchises only to Indonesian citizens and rescinding franchises held by businessmen who either had not become Indonesian citizens or had rejected that status.<sup>52</sup>

The new guides thus heralded came three months later in the decree of

---

50. Speech, 14 Mar., I.P. 1952, p. 299. Siauw's speeches on discrimination invariably used the figure of speech of a rich "indigenous" Indonesian and a poor Indonesian of Chinese descent!

51. Speech, 20 May, I.P. 1952, p. 476. Slamet was active in trucking and warehousing.

52. Written replies of the Government, 3 June, I.P. 1952, p. 580.

the Minister of Communications of 21 August which cancelled all previous circulars concerning franchising busses (except those issued by mayors for local service). The rationale specified for the decree was merely that:

it is felt necessary to have a new guide for granting bus franchises in harmony with a transport policy based on a rational distribution of transport, both between railways and busses, and between various busses, so that such transport can meet the needs of the people.

Part of the guide for granting bus franchises specifically concerned the national status of the bus company operators:

Art. 4. Franchises for operating bus enterprises can only be given to citizens of Indonesia, but when interpreting the meaning of "citizen" it must be remembered that the Government is obliged to assist and protect the group of citizens who are economically weak.

Art. 5. Each operator or applicant who before 27 December 1949 was not a citizen of Indonesia as defined by the Round Table Conference agreement, must prove that he is now a citizen of Indonesia by submitting a court certificate stating that he either elected or did not reject such citizenship (as appropriate).

Art. 6. Where companies are concerned they may only be considered "Indonesian national businesses" if their presidents or managers are all citizens of Indonesia, their stock is issued by name, and seventy-five percent of their paid-in capital is in the hands of citizens of Indonesia. "Citizen of Indonesia" in this section means a citizen in the economically-weak group.

The guide also limited the number of busses to be licensed per company to a maximum of twenty (with a maximum of 700 passenger seats).<sup>53</sup>

Indonesian bus operators and such notables as Mr. Sastrumuljono (Chief of the Policy Section of the Ministry of Communications) and Prawoto Soemodilogo (chairman of the Transportation Section of DEIP and himself a bus operator) publicly praised the new guide. The former asked what was the use of their fighting for independence if newcomers were not given an opportunity to work.

---

<sup>53</sup>. Tambahan Lembaran Negara R.I. No. 272. The guide also restricted bus routes paralleling railways (since the D.K.A. had been suffering great losses and as a measure to rationalize the utilization of transport equipment).



The latter had implied that Siauw and colleagues wanted to maintain the colonial economy by protecting the holders of historical rights rather than the economically weak population. On the other hand, Chinese and Chinese-Indonesian bus operators were understandably upset. In addition to the more overtly ethnic qualifications, the clause limiting the number of busses affected only the larger companies, which were principally owned by their members". Siauw, agreeing that there should be a transition from the colonial economy to a national economy, retorted that this should be achieved not solely by providing work for newcomers, but by mobilizing all "national capital", which meant "capital of citizens of Indonesia". He felt it paradoxical that the Government on the one hand was attempting to attract "foreign giant monopoly capital" to invest in Indonesia while neglecting that of its citizens". The guide itself he considered unconstitutional, for such far-reaching measures could only be made by statute or government regulation. Furthermore, its restrictions, which divided into strong and weak groups, tended towards race-discrimination, caused the "strawman" system to flourish, and otherwise would divert money from legitimate to illegal use, he charged.<sup>54</sup>

On 17 December 1952, the Communications, Public Works and Power Committee of Parliament held a meeting with officials of the Ministry of Communications over the "New Guide", which was opposed by the older bus operators. On 29 January 1953, the committee formulated some suggestions which it sent to the minister. It asked for an explanation by the Government of the meaning of an "economically weak" citizen and of "national capital". It asked that such legislative measures as the stipulations in Point 6 concerning status

---

<sup>54</sup>. Antara, 7, 25, 27 Oct. 1952; Sin Po (Djakarta), 3 Nov. 1952.

of capital, be rescinded since these could only be determined by the entire government by means of a statute.<sup>55</sup>

Minister Djuanda gave ground slightly at the following meeting with the parliamentary committee on 12 February, at which he made the following definitions:

a. the "economically weak" are those who in the import sector, for example, are usually called "newcomers". This includes those who have just started their enterprise and in general do not yet have experience. Thus it is not the intention of the Government to say that this group is poor.

b. the "economically strong" are those who have long operated their companies and also have sufficiently large capital and much experience.

In these two matters there is absolutely no differentiation between indigenous citizens and non-indigenous citizens. The New Guide has absolutely no race-discrimination.<sup>56</sup>

A month later Minister Djuanda followed up with some revisions in the New Guide for granting bus franchises, such as the following:

Art. 4. Franchises for operating bus enterprises can only be given to citizens of Indonesia.

Art. 5. Where companies are concerned, their presidents or managers must all be citizens of Indonesia.

Art. 6. (in extenso old Art. 5)

A new section read:

Art. 30. In carrying out this guide it should be remembered that the Government is obliged to assist and protect citizens of Indonesia who are

---

<sup>55</sup>. See, I.P. 1953, pp. 671-672. The committee also had reservations about other features of the guide, which it considered provisional. It suggested that companies owning over twenty busses be allowed to keep them but not allowed to acquire more.

<sup>56</sup>. Ibid., p. 669

economically weak.<sup>57</sup>

A direct effect of the Government's policy of supporting the "economically weak" citizens led citizens of indigenous and Chinese origin to form "mixed enterprises", overtly as well as covertly. A survey of new corporations during the twelve-month period following the issuance of the New Guide showed that of 18 new bus companies, only four were entirely owned by indigenous Indonesians. Four others were at least 75 percent so owned. The balance would not have qualified as "economically weak" for two were owned equally by Chinese and indigenees, two had a Chinese majority, and six were totally Chinese--indicative of the fact that some felt that there was still room to operate in an industry which their group had recently dominated.<sup>58</sup>

Indonesianization of bus transportation is clearly apparent in the following table:

Table 42: Disposition of Bus Franchise Applications  
November 1952 - December 1953 by Ethnic Group

Province	Granted				Rejected			
	Indigenous	Chinese	DAMRI	Other	Indigenous	Chinese	DAMRI	Other
North Sumatra	5	1	-	-	3	1	-	-
Central Sumatra	15	3	-	-	-	17	-	-
South Sumatra	217	24	-	-	-	15	-	-
West Java	30	8	1	-	58	11	1	1*
Central Java	15	6	1	1**	11	1	1	1***
East Java	2	1	-	-	2	-	-	-
(Java: interprovincial)	-	3	-	-	6	-	1	-
Kalimantan	1	-	-	-	-	4	-	-
Sulawesi	89	-	-	-	38	130	-	-
TOTAL	374	46	2	1	98	179	3	2

<sup>57</sup> Decree of 23 Mar. 1953, Tambahan Lembaran-Negara R.P. No. 383. The maximum number of busses for a company was raised to thirty for Sumatra. Busses in excess of the maximums would be obliged to serve on routes other than those applied for.

<sup>58</sup> Analysis by the writer of corporation charters published in 1953.

Three "other" groups:

- \* - Arab
- \*\* - B.R.N.
- \*\*\* - Dutch peranakan

Source: Berita Negara, R.I. 1952-1954.

Although discrimination in favor of "indigenous" Indonesians by the Ministry of Communications may be inferred from the above table, for most areas it was far from total, and in the field of interprovincial service on Java, the Chinese group appeared to be favored. Juridical differences among bus operators tended to follow geographic rather than ethnic lines. Thus, whereas on Java over one-third of the new (or renewed) franchises were granted to corporations and the majority to non-incorporated companies, in South Sumatra virtually all went to single-entrepreneurships! A report during this transitional period from South Sumatra showed that there were 254 franchised "indigenous" citizen operators with 521 busses and 173 "Chinese" citizens with 227 busses.<sup>59</sup>

Another step in the Indonesianization of bus lines was taken by Minister of Communications Roosseno on 15 November 1954. Until that date there had been no restrictions against aliens sitting on "the board of directors of bus corporations". But since in a number of instances alien businessmen had turned over the position of manager or president of their bus companies to Indonesian citizens while themselves moving to the board, a new decree on that date amended the text of Article 5 of the 23 March 1953 decree to require that all board members as well as all managers and presiding officers be citizens of

---

<sup>59</sup> R.I.: Propinsi Sumatera Selatan, pp. 334-339. In 1952 there were 65 bus enterprises in Central Java with 466 busses. At the end of 1952 (before the big change) in West Java there were 77 "Indonesian national", 39 "Indonesian citizen" (peranakan), and 10 "alien" bus companies. R.I.: Propinsi Djawa Barat, p. 321.

Truck Companies

The story of the Indonesianization of the trucking industry, which the Chinese had dominated at the time of the transfer of sovereignty, followed a course similar to that of the bus transportation sector, without passing through as many stages. The centralization and New Guide for granting bus franchises having received the approbation of the Government and the majority of Parliament, Minister Djuanda issued a new guide for franchizing trucking enterprises on 22 April 1953, with ethnic stipulations essentially the same as those in the bus guide as revised a month earlier.<sup>61</sup>

Although the handwriting on the wall must have been as apparent to truck operators as it had become to bus operators, five of twenty-nine new trucking corporations established during a twelve-month period roughly corresponding to the term of the Wilopo Cabinet, were entirely Chinese owned. Perhaps more significant, twelve were entirely owned by indigenous Indonesians and six had a strong indigenous majority.<sup>62</sup>

---

60. Tambahan Lembaran-Negara R.I. No. 702.

61. Tambahan Lembaran-Negara R.I. No. 399.

62. Analysis of corporation charters published in 1953. Chinese participated also in the remaining ~~six~~ corporations on an equal basis with indigenous Indonesians in two, with an indigenous Indonesian minority in three, and with a Dutch-peranakan minority in one.

At the end of 1952, (before the big change), West Java had 819 Chinese public trucking concerns, 311 Indonesian, and 66 "alien"! R.I. Propinsi Djawa Barat, p. 321.



The new trucking guide could not be implemented immediately, partly because of the size of the screening of the many operators, most of whom had only one or two vehicles, and the fact that the ministry in Djakarta had centralized the awarding of truck licenses. Despite the delay and more complaints from Siauw, the Government would not revise the guide. It explained that this guide to licensing trucks was based on its policy that transport companies serving the public as vital enterprises could be turned over to private national companies and thus had to be managed by Indonesian citizens. Thanks to the "open-door" policy in the past, many alien truck operators had become established. However, since truck companies were rather simple and did not require much expertise or organization so that one or two men could run such a company, the Government felt that there had come to be enough Indonesian citizens so that such work could be turned over to them. The Government pointed out that providing citizens with such licenses did not mean plundering the rights of existing alien capital, for the latter could still operate on routes other than those specified (for Indonesians) by the Minister of Communications.<sup>63</sup>

The policy of developing private Indonesian bus and truck transportation and favoring in effect indigenous Indonesians over peranakans (mostly of Chinese origin) had developed under the stewardship of Minister Djuanda during the relatively liberal administrations in the early years following the transfer of sovereignty. This policy Mr. TAN Po Goan (P.S.I., and himself a bus operator) termed "Djuanda-ism" or "Indonesian Malanism", and it reminded him of the feudal arbitrariness of the period Multatuli wrote about. To Siauw,

---

<sup>63</sup>. Government statement, 15 Feb., I.P. 1954, p. 132.

The more stringent prohibition against aliens even serving on the board of directors of trucking companies (anticipating that for bus companies) was decreed by Minister Roosseno on 23 August 1954. TLN R.I. No. 922.

such policies continued to recall Hitler Fascism.<sup>64</sup> However, if the Chinese peranakan citizens of Indonesia hoped for a more favorable treatment in the field of bus and truck transport under a relatively radical administration, they were destined to be disappointed, for Prime Minister Ali Sastroamidjojo embraced such measures as part of his cabinet's policy for developing a "harmonious middleclass".<sup>65</sup>

#### DAMRI

If highway transport was the one transport sector in Indonesia in which private enterprise most easily flourished, it was also the sector where government enterprise -- born out of wartime shortages and priorities -- showed little success! The Djawatan Angkutan Motor Republik Indonesia had been created in late 1946 by Minister of Communications Djuanda out of organizations on Java with their antecedents in the Japanese period. After yeoman service during the revolution, DAMRI virtually ceased to operate following the second Dutch military action! In late 1949 DAMRI was resuscitated when all motor vehicles in the Jogjakarta region were turned over to it! Subsequently portions reappeared elsewhere on the island. After the transfer of sovereignty, DAMRI

---

<sup>64</sup>. Tan speech, 29 Aug., and Siauw speech, 31 Aug., I.P. 1953, pp. 651-752, 7655 Only a month before his speech, the charter of Tan's bus company ("Kemerdekaan") was legalized after a year's delay.

<sup>65</sup>. Government reply 2 Sept., I.P. 1953, pp. 778, 783.

Another step in Indonesianizing highway transport was taken in March 1952 with the establishment of Jajasan Motor (Motor Foundation), which assisted in training and equipping Indonesians for opening up automobile garages, repair shops, and service stations (fields formerly dominated by the Dutch and Chinese). Its first director (until his appointment as Secretary General of the Ministry of Defense) was Colonel HIDAJAT Martaatmadja, who during the Japanese period had worked in the Zidoosya Sookyoku, and later was Chairman of the Ikatan Motor Indonesia (Indonesian Motor Club)! Cf. "Kami Perkenalkan!", p. 37.

in West Java took over the vehicles of the Pasundan Motor Service, including 49 busses, 465 trucks, and a variety of other vehicles. In East Java, where vehicles were inherited from the Motor Transport Service, the name AMRI was used briefly until by ministerial decree it again became DAMRI. During 1952 DAMRI operated 26 routes in West Java (with at most two busses per route) and 39 in East Java as well as seven out of Jogjakarta.<sup>66</sup>

With equipment growing obsolete, heavily overstaffed with unskilled personnel (including many cart drivers) who had worked with it at one time or another before and during the Revolution, and lacking its war-time monopoly, skilled personnel, and the imaginative leadership characteristic of many private bus companies, DAMRI (and its siblings with modified names) continued despite heavy government subsidies to be a losing proposition. Minister of Public Works and Communications Sitompul of the constituent Republic of Indonesia in 1950 announced that the service would have to be ended because of its continual losses and surplus personnel.<sup>67</sup> However, its liquidation was obviated because of the vested interests of two groups represented in Parliament: the Communists (including Partai Murba), for whom government enterprises were the ultimate ideal despite any practical shortcomings, and transport workers leaders, who wanted to avoid a mass layoff.

Consequently, a few members of Parliament repeatedly touched on the issue of DAMRI, especially during the debates concerning the Indonesianization of highway transport. Several members of Parliament's Communications Committee inspected DAMRI operations at the end of 1950. Dr. Ateng, reporting that if it were not a monopoly it could not be maintained under economic criteria,

---

<sup>66</sup> R.I.: Daerah Istimewa Jogjakarta, p. 425; R.I.: Propinsi Djawa Barat, pp. 356-359; R.I.: Propinsi Djawa Timur, p. 197. "D.M.R.I." was another variant used. See Chapter XIII.

<sup>67</sup> Asrarudin report, 25 Jan., R.P. 1951, pp. 3863-3864.

suggested that if DAMRI were to be retained, it had best operate in areas (especially outside Java) insufficiently served by private companies. Otherwise, he recommended that it be merged in the regional transport associations which he urged be set up to develop national transportation.<sup>68</sup> Ir. Sakirman, admitting that DAMRI was a big problem, hoped that it would be maintained, even expanded, and merged with the D.K.A.<sup>69</sup> Asrarudin, suggesting that its personnel problem could be partly solved if its former cart-drivers could be helped to return to their old occupations, hoped that DAMRI would be maintained and renovated, and urged that it serve the sparsely settled routes which needed bus service!<sup>70</sup>

In 1951, when the Ministry of Interior was planning the decentralization of various government services, one of the objects it requested the Ministry of Communications to relinquish for operation on the provincial level was public motor transport (DAMRI, etc.). Since the Ministry of Communications considered such operations to be of a local nature -- like irrigation works of the Ministry of Public Works -- and since it allegedly intended that other highway transport, too, would eventually be regionally administered again, it acceded to the request.<sup>71</sup>

---

68. Report, 25 Jan. 1951, R.P. 1951, pp. 3857-3858.

69. Ibid., pp. 3841, 3845-3846.

70. Ibid., pp. 3863-3864.

71. Secretary General Soetoto, statement, 19 June, R.P. 1951, pp. 5159-5160.

The decision evoked protests from several branches of the Serikat Buruh Kendaraan Bermotor (S.B.K.B. -- Motor Vehicle Labor Union), the union affiliate of SOBSI to which many DAMRI employees belonged. K. Werdojo, who introduced the amendment to insert a statement of priority for government transport organizations in the bill to amend the Highway Traffic Law, called the move an attempt at quiet liquidation.<sup>72</sup> Minister Djuanda then reconsidered and by decree on 10 October 1951 placed DAMRI under the jurisdiction of the ministry's Highway and River Traffic Section on a provisional basis pending a settlement of its status.<sup>73</sup> And there it remained.<sup>74</sup>

### Hotels

By 1950 the major hotels of Indonesia, almost all of which had been built by the Dutch, had largely been restored to their owners. An important exception was the Grand Hotel of Jogjakarta, which remained under Indonesian management first under the name Hotel Merdeka and then Hotel Garuda. Its manager was Abdul Rachim (father-in-law of Mohammad Hatta). Hotels in Indonesia regardless of ownership, because of the acute housing shortages in most cities, were under strict control of the government housing offices, and so their freedom of action and availability of rooms to the general public were quite limited.

---

72. Werdojo remarks, 19 June, R.P. 1951, p. 5143. Cf. letters to Parliament, R.P. 1951, pp. 4200 ff.

73. Cf. R.I.: Propinsi Djawa Timur, p. 197.

74. Asrarudin in the debates over both the Wilopo and first Ali Sastroamidjojo cabinet continued to press for a solution to the question of DAMRI. I.P. 1952, pp. 633-634; I.P. 1953, p. 739.

The first Ali Cabinet indicated, however, that the subject was still in the "deep freeze". I.P. 1953, p. 782.



During the period under review only one new major hotel was completed in Indonesia, the "Dana" built in 1952 in Surakarta with funds from the Dana Mangkunegaran (Mangkunegoro Fund). Several years later the Bank Industri Negara established a new subsidiary, P.T. Perusahaan Hotel dan Touris Nasional (Natour), which was not only to rival the country's largest agency (the Dutch-owned Nitour), but which was set up also to build a large hotel in Djakarta and smaller ones in other cities.

Although Indonesianization of the major hotel sector involved only one brand new hotel, in 1954 three hotels built by Dutch capital passed into Indonesian hands. By the beginning of the year, the Government had bought out the Hotel der Nederlanden -- the capital city's second largest hotel -- from the Escomptobank. In order to avoid replacing the initials on the linens and dining utensils, the hotel was renamed, "Hotel Dharma Nirmala".<sup>75</sup>

Soon afterwards fate set in motion the Indonesianization of a medium-sized hostelry in Surabaya, the Hotel Simpang. On 13 January, while in his former "home town" after a visit to the nearby Gresik cement factory site, Minister of Economic Affairs Iskaq decided to "spend the night in the Hotel Simpang. When the clerk did not give him a room, an incident took place. The

Surabaya Municipality then had the hotel examined and charged with a number of infractions of its license, and on the twenty-third its license was revoked and the municipality took over administration of the hotel.<sup>76</sup>

---

<sup>75</sup>. Pedoman, 27 Jan. 1954. Since the Government lacked money for this purpose, it acquired funds from the Commission for the Restoration of Rights.

<sup>76</sup>. Antara, 20, 24 Jan. 1954. The hotel had been owned by the Nationale Handelsbank. The military command of the city arrested the clerk involved and begged the public to remain calm.

During the Tjikwan Motion debates, Hadji Farid Alwi Isa (Masjumi from the vicinity of Surabaya) brought up the subject of the Hotel Simpang incident. He observed that visiting ministers customarily stayed at the mansion of the Governor (who then was a party colleague of the minister). However, this time Iskaq did otherwise. Following the incident, Alwi Isa reported the city was swept with rumors that the hotel's turning down the minister was just what had been expected by "a certain group" as grounds for later buying out the old owner in any easy manner, and in this case Minister Iskaq had been the pawn. There were bases for such rumors, Alwi Isa felt, since it was Minister Iskaq who had been the cause of the incident, and he was known to be a "good-hearted" person when it came to helping friends whom he approved.<sup>77</sup> Iskaq responded that it was not necessary to answer the charge.<sup>78</sup>

The most modern of Indonesia's large hotels had been the Savoy-Homann of Bandung. After lengthy negotiations, it was finally bought out by an Indonesian group, and R. Mohamad Saddak became its President.<sup>79</sup>

---

<sup>77</sup>. Speech, 7 Apr., I.P. 1954, p. 280. The charge of "pawn" was repeated several weeks later. I.P. 1954, p. 401. Alwi Isa observed that the authorities had known that relatively few Indonesians were able to obtain accommodations at the Simpang.

<sup>78</sup>. Statement, 20 Apr., I.P. 1954, p. 316.

<sup>79</sup>. In October 1954, when the third largest faction of Parliament (PIR) split, only Saddak and one other member (Mas Soetardjo) stayed with Deputy Premier Wongsonegoro as the nineteen other members lined up in the Hazairin-Tadjuddin Noor branch of the party in opposition to the Ali Sastroamidjojo Cabinet. Earlier in the year the PIR branch in which Saddak was a leader was sometimes called "PIR Hotel Homann". And in April, a committee of Djakarta businessmen reportedly complained against special licenses issued for buying hotels as well as those granted for imports. Cf. Abadi, 20, 23 Apr. 1954.

### Shipping Policy

Indonesia being an archipelago nation, the Central Government felt obliged to exercise a high degree of control over shipping. Yet it was relatively far more difficult for the Government to carry out a policy in the shipping sector than in any other sector of transportation. Although it could profit from maintaining the status quo (as of the transfer of sovereignty in railways), it could not afford to do so in shipping. Unlike its position in civil aviation, the Government did not inherit most of the existing ships, which would have put it in a strong bargaining position for forming a mixed enterprise. The Government could not leave matters almost entirely to private local enterprise as in the case of highway transportation. Buying and operating a ship was usually a far more complex undertaking than buying and operating a bus or truck. The situation was complicated, of course, by the fact that a foreign company registered in the Netherlands (Amsterdam), the Koninklijke Paketvaart Mij. N.V., was operating a virtual monopoly in shipping.

Possibly no foreign enterprise in Indonesia attracted a greater amount of enmity than the K.P.M. -- the company with which probably more persons came into direct contact than any other. On the whole, the K.P.M. performed its job of interinsular shipping well, but it could not serve all ports in Indonesia equally well, and so the smaller ones had far less frequent calls than they desired. With ship space at a premium upon the return of normal commercial conditions after the transfer of sovereignty, it happened that regular customers often received preference over new ones. Moreover, with the unsettled harbor conditions that were especially bad in 1950, schedules were not always strictly maintained. Similar inconveniences to the public in air, railway, and highway transport were usually taken in stride, but when

associated with a large Dutch company they often appeared unbearable."<sup>80</sup>

The "Groot Archipelago" contract with the Government, under which the K.P.M. had operated before the war, had expired in 1945. Thus the RIS Government was not tied to an existing concession as had been the case in air service. However, since the Government was confronted with the fact that it could not turn out the K.P.M. without further ado and immediately furnish its own shipping, it tried to find a way to live with the K.P.M. for the time being. The RIS Government proposed to the K.P.M. to set up a mixed enterprise, jointly owned 50:50, with the stipulation that after ten years (by fifteen years at the latest) the Government might take over control of the entire enterprise. This arrangement it was said, would follow the pattern set with K.L.M. in aviation.<sup>81</sup> K.P.M., however, did not readily accept, for whereas the Government at least possessed airplanes as its contribution to match the working capital, skilled personnel, and management which K.L.M. contributed to the new air lines, K.P.M. -- which possessed the ships -- could not visualize an equitable quid pro quo from the Indonesian Government.

The RIS Government, rather than put all its eggs in one basket which K.P.M. was reluctant to buy, then announced that it was buying twenty ships abroad and that it intended to help solve the shipping shortage by encouraging

---

<sup>80</sup> Cf. I.P. 1950, p. 585; R.P. 1950, p. 846; R.P. 1951, pp. 5059-5064, 5328-5360. R. Adhisoekmo termed the lack of K.P.M. service a basic cause for the high rate of smuggling. Pertanyaan Anggota dan Jawaban Pemerintah II, 138-139.

<sup>81</sup> Letter of Minister of Communications, Power, and Public Works Laoh, 19 Apr. 1950, in reply to Adhisoekmo query, Pertanyaan Anggota dan Jawaban Pemerintah, II, 137.

the expansion of private "national" shipping and by chartering foreign ships.<sup>82</sup> By the time the Natsir Cabinet of the new Unitary Republic had been created, the vision of Indonesian participation in a shipping company jointly with K.P.M. was fast fading. Accordingly, the Government readjusted its plans and gradually formulated and announced the shipping policy which thereafter would be followed. Allegedly in line with Article 38 (2) of the Constitution, it would strive to obtain a government enterprise for interinsular shipping, which qualified as an "important branch of production". For other shipping, namely coastal and ocean shipping (sailing to foreign countries), private "national" enterprises would be provided opportunities and assistance.<sup>83</sup>

The dilemma of Indonesia's lack of ships, trained personnel, and the foreign exchange for carrying out immediate nationalization evoked no proposals by political leaders which could automatically be implemented. In April 1950, the Prosperity and Finance Committee of the RIS Senate had requested that competition be allowed in shipping in place of the K.P.M. monopoly, and suggested that the Government and Indonesian companies operate three-fourths of the shipping (without explaining how such shipping was to be acquired), while foreign capital was allowed the balance!<sup>84</sup> After the

---

82. Ibid.; reply by Minister Laoh in Parliament to query by Adhisoekmo, 28 July 1950, Pertanyaan Anggota dan Jawaban Pemerintah, II, 139-140.

83. Government Explanation of the Program of the Natsir Cabinet, 21 Sept., R.P. 1950, pp. 358-359; Government Reply to the First Round of Debates on the Explanation of the Natsir Cabinet Program, 11 Oct., R.P. 1950, pp. 1841-1842; Government Reply to the Second Round of Debates on the Explanation of the Natsir Cabinet Program, 25 Oct., R.P. 1950, pp. 2231-2232. The original explanation was somewhat ambiguous in not defining the three shipping sectors involved.

84. I.P. 1950, p. 184. The 25 percent balance was to be allowed foreign capital as a gesture of "goodwill".



formation of the Unitary State, Mr. Tadjuddin Noor (PIR) urged that if the Government intended to set up its own company in interinsular shipping, it should form a mixed enterprise and allow foreign capital to take up to 49 percent of the stock. Such a step, he thought, might even induce K.P.M. to join in a mixed enterprise.<sup>85</sup> Iwa (who was greatly concerned with Dutch influence in GIA) warned that the position of the State was endangered by K.P.M., which in time of war could be requisitioned by the Dutch Government. He thus felt it necessary that Indonesia immediately control all interinsular transport and related enterprise and that a permanent "Maritime Board" be set up.<sup>86</sup> Amri Yara (P.N.I.) suggested that pending the nationalization of K.P.M. -- which did not appear imminent -- the Government should closely regulate its operations.<sup>87</sup>

Since the Government did not succeed in getting K.P.M. to agree to the forming of a mixed enterprise, Minister Djuanda announced a modus vivendi. The K.P.M. - still being needed to forestall any vacuum in interinsular shipping - would continue to operate. Meanwhile, a State shipping company would be established and gradually enlarged. The ratio for shipping between the two enterprises would be slowly reduced, so that at some time in the future the state shipping company would be in a dominant position.<sup>88</sup>

---

<sup>85</sup>. Speeches, 4 and 19 Oct., R.P. 1950, pp. 1420, 2109-2111. His first suggestion was that the state company initially operate in coastal trade, and later in international trade.

<sup>86</sup>. Speeches, 3 and 18 Oct., R.P. 1950, p. 1268. The following June, Iwa asserted that national shipping companies were finding more obstacles than assistance from the Ministry of Communications, and he urged that they be promoted using Cromwell's Navigation Act as a guide. R.P. 1951, pp. 4450, 4753-4754.

<sup>87</sup>. Query, 3 Nov., I.P. 1950, p. 585.

<sup>88</sup>. Ichtiisar Indonesia Sepekan, 29 Jan. 1951.

Pepuska

"During the RIS period, the Stichting Gemeenschappelijk Schepenbezit continued to function as the major stockholder and provider of ships to the two coastal shipping companies operating out of Sulawesi ports. Since K.P.M. was its partner in S.G.S., and since it was intent upon Indonesianizing shipping, the Government determined to replace the foundation with another one wholly its own.

Accordingly on 17 August 1950 preparations for the new organization commenced, and on 6 September, the day the Natsir Cabinet took office, the Jajasan Penguasaan Pusat Kapal<sup>2</sup> (Pepuska -- Central Shipping Authority) was set up with SOENAR Soerapoetra as President. The purpose of the new foundation was to assist private enterprises, both existing and to be set up, in the fields of (1) coastal shipping, and (2) ocean shipping. Aid was to be provided in the form of: (a) lending or chartering ships to the private companies; (b) granting credits; and (c) providing direct subsidies. For such purposes, the Government provided an initial capital of Rp. 30,000,000.<sup>89</sup> Pepuska shortly thereafter superseded S.G.S. as owner or agent of the ships chartered to the private companies and as stockholder in Nocemo and M.K.S.S.<sup>90</sup>

Unfortunately, Pepuska was doomed to a short and schizophrenic life. The foundation had been planned by the RIS Government and Minister Laoh when it was still believed possible to form a mixed shipping enterprise with K.P.M., leaving the Government relatively free to promote private shipping in supplementary sectors. A large number of public figures in Djakarta had been making

---

<sup>89</sup>. Government Reply, 11 Oct., R.P. 1950, p. 1841. The Government's initial capital provided was ten million "foreign exchange rupiahs" (equal to that many gulden).

<sup>90</sup>. Minutes of Annual Stockholder's Meeting of Nocemo, 11 June 1953, p. 5 (mimeo). Cf. Java Bank Report, 1951-1952, p. 193.

plans to buy stock in a new private shipping company, P. T. Perusahaan Pelajaran Indonesia (Indonesian Navigation Company"-- INACO), and the RIS Economic and Financial Council on 24 August 1950 had decided that the Government would participate in it by buying half of its stock through the new shipping authority<sup>91</sup> on a pattern similar to that followed in earlier years by the S.G.S. But within a few weeks after Pepuska's founding great changes had been made in shipping policy -- henceforth in the Unitary Republic under the stewardship of Minister Djuanda, for it had become increasingly apparent that K.P.M. would not accede to Government participation in its operations. Since the Government wanted ultimately to replace the K.P.M. with a state enterprise, it would have to initiate steps soon for setting up a rival enterprise. This would require extensive outlays of foreign exchange (equivalent to an estimated Rp. 900,000,000) for new ships over a number of years.<sup>92</sup> Since the Government had a shortage of foreign exchange, plans for financial assistance to private national shipping companies would have to be sharply restricted. Accordingly, Minister Djuanda on 3 October reversed the RIS Government decision to participate in the capital of private shipping companies such as INACO, and secured the decision of the Natsir Cabinet to initiate measures for establishing a state shipping company.<sup>93</sup>

---

91. Speech by I.R. Lobo, 9 June, I.P. 1952, p. 676.

92. Government statement, R.P. 1950, pp. 1841-1842.

93. Lobo, op.cit., p. 676. Although the Government would no longer participate in the share capital of new companies, it agreed to provide credits and ships via Pepuska.

The Government was in a ticklish situation. After plans for Pepuska had first been announced, great expectations had arisen among Indonesian citizens with plans for developing private shipping companies, and no less than nineteen members of Parliament had subscribed to stock in INACO. Since the Natsir Cabinet had been formed without the P.N.I. and it was not at all assured of a favorable vote of confidence, it had to tread lightly. And so the fact that an important policy change had been made was not expressly acknowledged, yet whereas the Government program explanation made on 21 September had stressed aid to "national enterprises" in shipping without any mention of a state-owned enterprise, its reply of 11 October while mentioning Pepuska stressed instead the importance of a government enterprise in interinsular shipping (which was not open to private national enterprises), and its second reply on 25 October reemphasized that interinsular shipping would be taken over by a state shipping company, while remarks that the Government "of course will not forget its important obligation of promoting and developing private shipping" were expunged from the official record.<sup>94</sup>

With limited funds and an ambiguous goal, Pepuska did not always operate to the satisfaction of the new national shipping companies -- which were not aware that the Government preferred that they rely more on their own resources. Repercussions in Parliament were not slow in coming. Already on 29 September 1950, BEBASA Daeng Lolo (P.N.I. - Merdeka, and a manager of the new Maskapai Pelajaran Nusantara) observed that the f. 10,000,000 which the Government had assigned to Pepuska for aiding national shipping (which usually had little capital) was a not very meaningful amount.<sup>95</sup> The Government replied that in

---

<sup>94</sup> R.P. 1950, pp. 2231-2232; cf. I.P. 1950, p. 536.

<sup>95</sup> R.P. 1950, pp. 800-801. Bebasas had been active in shipping between 1942 and 1947. Kami Perkenalkan!, p. 76.

addition to that sum, it was spending nine times that much to equip its Department of Shipping and the Navy [!]<sup>96</sup> However, Ir. Pangeran Noor (Masjumi, and Vice Chairman of the Communications Committee) called it the duty of the Government to build up national shipping as soon as possible, if necessary by taking funds from the Department of Shipping and the Navy and even from the railway service.<sup>97</sup>

At the end of 1951, Pepuska had a fleet of twenty-seven ships (with a total tonnage of 10,450 B.R.T.),<sup>98</sup> most of which were on charter to regional shipping companies. Four months later, however, quite unannounced, the foundation was suddenly liquidated.

The debates on the program of the Wilopo Cabinet, which commenced a fortnight after Pepuska's demise, brought a flood of criticism of the shipping authority. Championing private national shipping in the face of the Government's seemingly ambiguous policy was Asrarudin (Chairman of the Communications Committee), who a year earlier had urged that it be protected in its formative stage. He now charged that not only had the Government not given it proper guidance, but that Pepuska had been quite ineffective in helping it.<sup>99</sup> Mochran

---

<sup>96</sup>. Government reply, 11 Oct., R.P. 1950, pp. 1811-1812. The Department of Shipping of the Ministry of Communications had meanwhile been assigned the task of preparing for the new state shipping company.

<sup>97</sup>. Speech, 2 Oct., R.P. 1950, p. 1210.

<sup>98</sup>. Java Bank Report 1951-1952, p. 193.

<sup>99</sup>. Speech, 6 June, I.P. 1952, pp. 634-635; cf. speech, 2 June, R.P. 1951, p. 4454. Asrarudin charged also that interference by the Ministry of Religion had led to the collapse of plans to transport Muslim pilgrims to Arabia in 1951.



bin Hadji Ali (Parindra, and member of the board of N.V. Perusahaan Pelajaran Kalimantan) cited complaints from national shipping companies that vessels chartered from Pepuska were in a state of disrepair or unsuited to their needs, and that charter payments were double what such companies would have had to pay by leasing foreign ships directly. Lobo mentioned reports that ships had been purchased by Pepuska after insufficient inspection and at exceedingly expensive prices, even though they were lacking in equipment. Consequently, they later had to undergo costly repairs. It was even alleged that some old ships bought by Pepuska in Europe had never gotten beyond Lisbon or Port Said. Despite itself experiencing operating losses, partly because of the failure of some national shipping companies to make their charter payments regularly, Pepuska had meanwhile been building flats for its personnel in Kebajoran, the residential suburb of Djakarta.<sup>100</sup>

National shipping<sup>101</sup>

---

<sup>100.</sup> Mochran and Lobo speeches, 16 May and 9 June, I.P. 1952, pp. 410, 673-676; cf. N.V. Kalimantan white paper; Nocemo annual report for 1952.

A reason given for replacing Pepuska with a government corporation was to facilitate the purchase of new vessels which might be more economically chartered to national shipping companies than older and more expensive leased foreign vessels. Cf. I.P. 1954, p. 213.

<sup>101.</sup> "National shipping" is the term usually applied to companies owned and/or operated by private Indonesian citizens using motor (or steam) ships.

The subject of sailing-perahu shipping by indigenous Indonesians lies outside the scope of this study of Indonesianization. However, it may be recalled that the guarantee-deposit of 500% of the value of their cargo, imposed by the Dutch administration in order to discourage smuggling (especially to Republican areas), had the direct effect of reducing the proportion of inter-insular trade carried by Indonesian vessels. After the Andi Gappa motion of the N.I.T. Parliament in December 1949 failed to bear fruit, the Prosperity Committee of the RIS Senate of 27 March 1950 passed a resolution urging the Government to rescind the deposit regulation. I.P. 1950, p. 107; cf. Chapter XVI.

Finally a new regulation was issued under the Natsir Cabinet effective 20 November. For goods which had a ready world market, the deposit was reduced to 150%; for certain goods with a ready domestic market, only a certificate from a local economic official was necessary; other goods were exempt from both requirements. "Keterangan Dr. Sumitro, Menteri Perdagangan dan Perindustrian tentang tindakan permulaan untuk mempergiat dunia perdagangan nasional", Ich-tisar Indonesia Sepukan, 13 Nov. 1950. Andi Gappa (who joined Masjumi) thereafter reportedly attempted to have the deposit requirement completely abolished, but without success. Cf. R.P. 1952, pp. 139-141, 146; I.P. 1953, p. 799.

Before 1950 only two small Indonesian shipping corporations were in operation, both operating out of Sulawesi. Originally half owned by the S.G.S., then Pepuska, then the Indonesian Government, and the other half by private Indonesians, these were completely private operations. Nocemo of Menado, which had been operating upwards of eight chartered vessels, under Chairman Max Bastiaan TUMBEL (member of the Menado municipal assembly) bought the harbor ferry service at Menado in 1951 and its first vessel (of 100 B.R.T.) the next year, when it employed over 1100 persons. In 1953, its paid-in capital was increased five-fold to one million rupiah, and it Indonesianized its name to P.T. Pelajaran Rakjat Indonesia (Perindo -- Indonesian People's Navigation, Inc.). Its sister company, M.K.S.S. of Makassar under Chairman Andi Ronda that same year increased its capital similarly and became the P.T. Perusahaan Pelajaran Sulawesi Selatan (P.P.S.S. -- South Sulawesi Navigation Co.).<sup>102</sup>

The first new Indonesian shipping corporation in the new era was the N.V. Djakarta Lloyd of Djakarta, the charter for which was drawn up on 18 August 1950. It was a subsidiary of the Bank Negara Indonesia, and although its authorized capital was Rp. 30 million, by some legal juggling only two percent of this sum was paid-up when the company was established. Shortly afterwards the Government advanced the company thirteen million rupiahs, and by 1953 B.N.I. loans to it had reached Rp. 42,000,000. Despite the Government's direct and indirect financing, the Djakarta Lloyd was intended to be operated essentially as a private commercial company. Darwis Djamin was appointed its president, Mr. R. Sundoro BUDHYARTO Martoatmodjo, its vice-president, and Chairman Kusuma Atmadja of the Supreme Court accepted its board chairmanship. The company's chosen field was the operation of ocean freighters. Its operations, which

---

<sup>1025</sup> See Charters 571/1953 and 36/19545 Nocemo annual report for 19525

commenced in February 1951, however, were not successful. It purchased two old "Liberty" ships, which proved to be unseaworthy, one of which never was to sail under its own power. By 1953, when its losses had risen to Rp. 45 million, it was on the verge of bankruptcy, as a result of which its management was re-organized. Nevertheless, the company's poor condition was first aired in Parliament only during debates over the budget at the end of 1953.<sup>103</sup>

The first company with a valid claim to being the first private Indonesian shipping corporation in the Unitary Republic was INACO (referred to above). Its establishment was delayed somewhat by the restrictions put on Pepuska's financing powers, and so its charter was not drawn up until 28 October. It was unique in being a corporation whose initial stockholders (numbering 164) -- who according to the charter had to be citizens of Indonesia or organizations controlled by them -- represented businessmen, politicians, and other public leaders from much of Indonesia (especially Java, Sumatra, and Kalimantan). Nevertheless, all these could provide only one million rupiahs at the outset -- ten percent of the authorized capital. The balance was advanced it by the Government. Mr. Teuku Mohamad Hasan (non-party, Chairman of the Trade and Industry Committee of Parliament) became INACO's president, and Mr. Tadjuddin Noor (of the Communications and Transport Committee), one of its vice-presidents. Dasaad, the leading stockholder, became board chairman. INACO began operations in mid-1951, intending to move into the hadji-pilgrim trade of the Dutch

---

103. See Charter 571/1951; Java Bank Report, 1951-1952, p. 193; Speeches by Mr. Burhanuddin (non-party), and Bebasa Daeng Lalo, 15 Dec., I.P. 1953, p. 1215, 1221. The line's one operating vessel, the 8850-ton "Djakarta Raya" had breakdowns on several of its voyages. Its "Djatinegara" gradually rusted away in Tandjong Priok harbor. It also chartered vessels. R. Achmad KOSASIH became the company's new president.

Mr. Budhyarto, lawyer and politician (first Indonesian Residen of Besuki), was active in a number of business ventures.

"Kongsi Tiga" (the "Three Companies"),<sup>104</sup> which had a virtual monopoly in that service. It was not successful in its first year, but in 1952 chartering ships from Kongsi Tiga and with its own vessel, it transported two thousand out of thirteen thousand pilgrims. Some of the ships, however, suffered mechanical troubles. The next year, INACO was assigned to carry over half (7500) of the fourteen thousand pilgrims. However, more problems were encountered, and because of a shortage of ships to charter and a shipboard fire, the departure of many pilgrims was delayed. Since between pilgrimages INACO's fortune waned, and its losses mounted, in February 1954 it also had to have a management reorganization.<sup>105</sup>

The disappointing developments in pilgrim shipping in 1953 led the Indonesian Hadji Committee soon to urge the Government thereafter not to turn pilgrim transportation over to any shipping company which did not already have adequate ships. Shortly afterwards, on 6 October 1953, the hadji committee set up its own shipping company, the N.V. Pelajaran Muslimin Indonesia ("Musi") especially for the transport of pilgrims. The committee's deputy chairman,

---

<sup>104</sup>. The three steamship companies were the "Nederland", "Rotterdamsche-Lloyd", and "Oceaan".

<sup>105</sup>. See Charter 412/1951; Java Bank Report, 1951-1952, p. 193; Lobo speech, 9 June, I.P. 1952, p. 676. Half of the members of the Communications and Transport Committee of Parliament were INACO stockholders. At the time of its reorganization, Mr. Jusuf Wibisono and Abikusno Tjokrosujoso became members of its emergency advisory committee.

INACO's fleet consisted principally of "Bintang Asia" (Star of Asia) and "Bintang Samudera" (Star of the Ocean), chartered from abroad. But her pilgrim transport problems in 1953 were climaxed by fire which broke out on her "Seven Seas" in Tandjong Priok harbor right after 1280 passengers had boarded. Consequently, all had to be put off again while a K.P.M. vessel was hurriedly sought. See Report of Education, Religion, and Health Committee of Parliament (read by Ibnutadji Prawirosudirdjo), 14 Aug., I.P. 1953, pp. 687, 691; cf. also "Pioneer Aviation Corporation", above.

Kijai Hadji Mohamad Dachlan (Nahdlatul Ulama) became company president." Subsequently, before the 1954 pilgrimage, Minister of Religion Masjkur (N.U.) awarded a contract to "Musi" to carry 6450 pilgrims as well as one to the "Kongsi Tiga" to carry 3650. Since the former had no ships of its own, it arranged for the Kongsi Tiga to carry its quota too. These developments brought a protest from Asrarudin, who charged the Ministry of Religion with interference in the affairs of the Ministry of Communications! Observing that more foreign exchange was expended if all the transport was provided by foreign companies, he declared that he failed to see how national shipping could develop as a result of such action.<sup>106</sup>

The Government had other kinds of shipping contracts to award to national shipping lines and thus help in their development. In November 1952, such lines began transporting rice from other countries of Southeast Asia. In June 1953, when the "Kongsi Tiga" contract to ship copra from Indonesia expired, national shippers began to carry it.<sup>107</sup> Scrap iron for Japan was also assigned to such companies.

The only other Indonesian shipping line to operate on the high seas during this period was the Maskapai Pelajaran Nusantara (M.P.N. -- Archipelago Navigation Company), which started in mid-1950 as a small passenger shuttle operation between Pasar Ikan (the small-craft port for Djakarta) and southern Sumatra." Although it failed initially to get Pepuska to participate in its capitalization, two years later when it incorporated, it secured forty-five percent of its capital from Pelni (see below). Then in mid-1953, with chartered

---

106. Ibnutadji report, op. cit., p. 691; Asrarudin speech, 26 Mar., I.P. 1954, p. 228. Asrarudin charged that "Musi" had not yet been recognized by either the Ministry of Communications or the Ministry of Justice. He erred on the latter point. (See Charter 169/1954).

107. Pedoman, 26 Mar. 1953.



vessels, it extended its passenger service into the hadji pilgrim field and carried one-seventh of the pilgrims.<sup>108</sup>

A number of other Indonesian companies displayed initiative in coastal and related interinsular shipping." Besides the Kalimantan line at Bandjarmasin, the large island also had the P.A. Mahakam Shipping Company Ltd. operating out of Samarinda. Sailing from Surabaja was the P.T. Perniagaan Pelajaran Indonesia"(Perpelin -- Indonesian Commercial and Shipping Co.), whose board chairman was Dr. Ateng (P.N.I., later Vice Chairman of Parliament's Communications Committee). Other Indonesian companies arose on other islands, while Chinese vessels continued to operate out of West Kalimantan and Sumatra.<sup>109</sup>

The problems of new private shipping operators led Tumbel of Nocemo and August Bawolje DAUHAN of Mahakam (both Menadonese) to form at Djakarta in March 1951 a shipping association for the mutual interests of its members, the Dewan Pelajaran Indonesia. In October this was changed into Uni Perusahaan Indonesia (UPPI -- Union of Indonesian Shipping Companies), which most of the

---

108. See Charter 35/1954; I.P. 1953, p. 691.

One company set up especially to handle the hadji pilgrim trade failed to achieve its goal, being virtually stillborn. The Red White Star Lines of Djakarta was organized in late 1951 under President Frits LAOH (P.R.N. Member of Parliament with long K.P.M. experience) and Board Chairman KASMAN Singodimedjo (Masjumi Member of Parliament), with the expectation that the Government (Pepuska) would join in its financing. When the Government rejected its bid, over half of its fifty-two "founders" (mostly merchants) pulled out of the company". See Charter 141/1953.

109. Kalimantan, one of the more active of the new companies, had participation by peranakan citizens (of Dutch, Indian, and Chinese descent) in addition to indigenous citizens". Although its charter originally required all officers (managers and the board of directors) to be citizens of Indonesia, its legalization was delayed until it was amended to require all stockholders also to be citizens of Indonesia. See Charter 579/1952.

See report on shipping for Riau (principally Chinese companies operating out of Singapore) by Mohamad NOH, 25 Jan., R.P. 1951, pp. 3870-3872.1

private Indonesian motor shipping companies operating in domestic waters joined! AUS Suriatna (an M.P.N. manager) was chosen Secretary-General. Early in 1955, a new organization was set up to promote national shipping, Persatuan Perusahaan Pelajaran Seluruh Indonesia (Perpepsi -- All Indonesia Union of Shipping Companies).<sup>110</sup>

The tonnage of national shipping lines gradually rose.<sup>111</sup> The number of "national" shipping companies rose even faster. By 1955, sixty-five were counted, of which twenty-five were registered. However, only five were considered to be operating on an economic basis.<sup>112</sup>

Since few of the national shipping companies were prospering, some of them were tempted to dispose of their vessels to alien companies. In order to preclude such actions as far as possible, Minister of Communications Gani decreed on 14 June 1955, that all sales or transfers of sea vessels of companies of Indonesian nationality to alien companies for use beyond one year could only take place with the Minister's permission.<sup>113</sup>

This regulation barring de-Indonesianization of vessels and the low ratio of successful operations were indicative of the fact that private Indonesian shipping still had a long period of growth ahead of it before it could be

---

<sup>110</sup>. Nocemo annual report for 1952; Bank Indonesia Report 1955-1956, p. 157. A contemporary of UPPI was Koordinasi Pelajaran Indonesia (Korpi -- Indonesian Shipping Coordination Board).

Perpepsi's purpose was to secure all interinsular and coastal shipping for Indonesians as early as possible, and it urged the Government to provide it with all possible facilities.

<sup>111</sup>. A survey early in 1954 recorded a tonnage of 72,500 B.R.T., distributed between Peln, 28,400; Djakarta Lloyd, 20,000; Inaco, 15,000; Perindo, 2000; M.K.S.S., 1800; Nusantara, 1800; Kalimantan, 1000; Maskapai Pelajaran Swan Liong (citizen), 1000; Maskapai Pelajaran Kok Gie, 1000; and Perpelin, 500. Asrarudin speech, I.P. 1954, p. 228.

<sup>112</sup>. Bank Indonesia Report 1954-1955, p. 152.

<sup>113</sup>. "Keputusan Menteri Perhubungan No. M 26/3/12", Tambahan Lembaran-Negara R.I. No. 832.

considered to play a really significant role in the overall transport picture of Indonesia

### Pelni

The private Indonesian shipping companies that had been newly set up had their share of problems of which money was only one. Although they might compete where I.P.M. service was lacking, they often lacked harbor facilities and agencies outside their home port. Financial and other assistance from the Government via Pepuska was necessarily limited because of budgetary reasons, yet the companies envisaged a wide field for expansion in view of the Government's announced policy of gradually replacing the K.P.M. virtual monopoly.

It therefore came as a great shock when in April 1952, barely three weeks after the Milopo Cabinet took office, Pepuska-- the organization set up to promote private Indonesian shipping-- became co-founder of the P.T. Pelajaran Nasional Indonesia (Pelni-- Indonesian National Shipping Co.) and turned all its assets over to the new company. Right afterwards Pepuska was declared liquidated, and Pelni was designated liquidator. Mr. R. Moehamad MA'MOEN Soema Dipradja (Senior Official of the Ministry of Communications) became president and Soenar (from Pepuska) vice-president. Mr R. KOESNOEN Tjitrowardojo (Chief of the Ministry's Public Shipping Section) became board chairman. Out of an authorized capital of Rp. 200 million, Pelni's initial capital consisted of Rp. 49,100,000, all--save the Government's Rp. 100,000 in cash--consisting of property from Pepuska, including twelve ships. After Repuska's liquidation.

the Indonesian Government became sole owner of Pelni.

It had been generally known, of course, that the Government was intending to set up a shipping company of its own as heir apparent to K. P. M. in the inter-insular traffic, but few in private shipping circles or Parliament were ready for the manner in which the Government company (Pelni) made its entrance. The subject became a leading issue in the debates over the program of the new Wilopo Cabinet. First to air the matter was Mochran (who had interests in both INACO and Kalimantan), who described the happiness of private shipping circles when Pepuska was first set up, then their gradual disillusionment climaxed by Pelni's replacement of Pepuska. Noting that private national shipping companies had been invited to discuss their shipping role with the Ministry of Communications only after Pelni had already been set up, he urged the Government to reconsider Pelni's intended monopoly in interinsular shipping and allow existing national companies to cooperate with it in ending the K.P.M. monopoly.

The Government, in reply, denied that national shipping companies had suffered large losses as a result of Pepuska's policy or that Pelni was a replacement of Pepuska, and referred to preparations for a state shipping company

---

114. See Charter 620/1952. Although legalization of a charter by the Ministry of Justice usually followed a time lag running into months, Pelni's (like GIA's) occurred the same day. At the end of 1952 Mr. Koesnoen left the Ministry of Communications and soon thereafter became board chairman of Madjelis Perniagaan Indonesia di Eropa (MAPIE)—Indonesian Chamber of Commerce in Europe).

The other Pelni directors represented the Ministry of Communications (Mas Pardi of the Department of Shipping, one of the company's planners), Finance (Mr. Soegiarto), Economic Affairs (Sardju Ismunandar), Java Bank (Mr. Loekman Hakim), and private business (Ir. Soearto Sosrohadikoesoemo). Dr. Ateng became second vice-president later and following Pelni's change of officers, its president!

since the RIS period. Declaring that "the Government does not intend to interfere with already existing national shipping companies", it offered to cooperate with them by forming a coordination board. The Government also made the first complete statement of transport policy. In sea transport, it declared that its policy had not changed from that announced by the Natsir Cabinet and continued by the Sukiman cabinet, i.e. that interinsular shipping had to be controlled and largely owned by the Government, while coastal and ocean shipping could be left to the initiative of private national enterprises, with assistance or, if necessary, participation by the Government. It then announced that in its plans for establishing an interinsular shipping company it had earlier in the year ordered forty-five vessels from abroad, delivery of which was expected in 1953.<sup>116</sup> The Government avoided mentioning that the forty-five were small vessels appropriate for the coastal shipping sector of private enterprise, not medium-sized ships suitable for replacing the more important part of K.P.M.'s interinsular traffic.

The Government's reply failed to stem criticism. Asrarudin charged that the Government had neglected national private shipping and treated it in as negative a fashion as alien shipping while concentrating attention on its own projected company. He questioned the circumstances of the founding of Pelni and asked on what grounds the Government had liquidated Pepuska -- set up to aid private shipping -- and brought it into a state shipping company. He submitted a score of other questions and urged that "proper" coordination and

---

<sup>116</sup>. Written reply by Government, 3 June, I.P. 1954, pp. 578-579. The Government also noted that it had only recently begun plans for river transport because of the great shortage of experts in that field.

According to an agreement between the Ministers of Economic Affairs and of Communications, the orders for the new vessels were placed only with those shipbuilding companies abroad which were represented in Indonesia by Indonesian nationals. Cf. I.P. 1954, P. 216.



assistance be provided for private national shipping and that it be allowed to operate at least twenty-percent of interinsular shipping and thereby help check the K.P.M. monopoly.<sup>117</sup> Lobo continued the attack and questioned the Minister of Communication's authority to set up such an important enterprise on the basis of a past cabinet's decision whereas Article 88 of the Constitution specified that basic regulations for transport would be made by statute! He charged, moreover, that Parliament had been excluded from deliberations on this matter, and that a conference which the Ministry of Communications had planned (before Pelni's arrival) to hold with national shipping to hear their needs -- which the Communications Committee was to attend -- had never been held. He declared that the circumstances around the setting up of Pelni had undermined the people's faith in Government decisions and criticized the Government for being unable to use the people's initiative for national development.<sup>118</sup>

The timing of the remarks during the second round of debates, which were usually answered by the Government in a perfunctory style, brought from the Government only a suggestion that the matter be discussed on a different occasion.<sup>119</sup> But Asrarudin did not let the matter drop. From his vantage point as chairman of the Communications Committee, he sent a list of questions to Minister Djuanda on 3 February 1953. Some of the answers in the Minister's reply on 17 March gave detailed information; others were evasive. When asked the grounds for the liquidation of Pepuska, he replied simply: the ~~establishment~~ of Pelni. When asked for reports on the finances and operations of Pepuska and Pelni, he demurred saying they were not quite ready. The Committee asked why

---

117. Asrarudin speech, 6 June, I.P. 1952, pp. 634-635.

118. Lobo speech, 9 June, I.P. 1952, pp. 673-674, 676.

119. Keterangan dan Djawaban Pemerintah atas Program Kabinet Wilopo, p. 210.

the Government had deviated from the Minister's Decree No. 1 of 1951 which stated that Pepuska's sole purpose was to serve private national shipping, from which it inferred that if Pepuska were liquidated its assets would go to private national shipping or the Government. Djuanda denied that there had been any deviation, for according to Pepuska's charter its assets passed to the Government, and his decree was implemented in that charter. To the question whether any of the forty-five coasters which the Government had ordered would be available to national shipping companies, Djuanda replied that they would all be turned over to Peln! Nevertheless, he gave assurances that the Government would continue to provide assistance to private national shipping.<sup>120</sup>

During the debates on the program of the first Ali Sastroamidjojo Cabinet, B. Sahetapy Engel broached again the subject of Pepuska and Peln!, and Bebas! Daeng Lalo urged that a broad field of operations should be open to private national shipping, which he felt ought to be allowed to obtain some of the forty-five coasters!<sup>121</sup> The Government replied merely that it might give some consideration to Bebas!'s suggestion, but it again postponed discussion of its two shipping organizations.<sup>122</sup>

---

<sup>120</sup>. "I.P. 1953, pp. 672-675. Questions about details of the ships acquired by Pepuska from the RIS Government or S.G.S. and those subsequently bought by Pepuska or the Government went unanswered".

<sup>121</sup>. Engel and Bebas! speeches, 28 and 29 Aug., I.P. 1953, pp. 733, 755. Rangkojo Rasuna Said suggested that Peln! be allowed to sell stock to the public in order to help provide badly needed funds for the government undertaking. Speech, 5 Sept., I.P. 1953, p. 807. The Government promised to consider the matter".

<sup>122</sup>. Government replies, 2 and 10 Sept. 1953, I.P. 1953, pp. 782-783, 834. Noting that K.P.M. continued to operate in Indonesian waters through a gentleman's agreement until the Government could take over such transport entirely, Prime Minister Ali declared that the Government would endeavor that all shipping in Indonesia would be handled by "national shipping", meaning Government and/or private shipping.

Finally, in the budget messages of December 1953 and February 1954, the profit and loss statements of Pepuska and Pelni were revealed to Parliament. Although from the figures it was difficult to ascertain the amount of Pepuska's loss, Pelni's losses were found to be sizeable. Pelni, as a new shipping company, had not escaped the problems which had confronted earlier and smaller private companies, including the lack of harbor facilities. But unlike them, it did not lack capital. Besides having access to the forty-five coasters, valued at Rp. 180 million, it reportedly received in loans from the Government, Rp. 32 million during 1952 and Rp. 57 million in 1953.<sup>123</sup> However, many of the new coasters were not built up to specifications, and most were delivered late. Furthermore, Pelni's losses instead of decreasing, continued to mount. In view of the company's continued poor showing after two years of operation, the long-awaited budget debates brought no stilling of the complaints against Pelni's operations. Bebasas blamed the shortcomings on lack of coordination between the Ministry of Communications and its Department of Shipping, on the presence of Dutch personnel in Pelni's Technical Service, and on a German adviser to the Ministry.<sup>124</sup>

Soendjoto found the possibility that Pelni might suffer an additional loss of Rp. 85 million during its second two-year period of operation incongruous with its position as a Government enterprise, which had far more

---

123. Cf. I.P. 1953, pp. 1220-1221; I.P. 1954, pp. 136-137. In the first eight months of its operations (1952), Pelni reported a loss of Rp. 8 million; in 1953, Rp. 10 million.

124. Speech, 25 Mar., I.P. 1954, pp. 214-216. Supervision over the construction of a majority of the coasters had reportedly been assigned to the father of the German adviser referred to, although the father had no office or organization.

Bebasas's proposed remedies included the establishing of a Directorate of Shipping for coordination and screening of alien advisers.

facilities than private Indonesian companies. Consequently, he declared that Pelni had to be reorganized so that it could operate "with a profit, like the K.P.M. In case it could not be reorganized into a sound enterprise, he recommended that it simply be closed down."<sup>125</sup> Nevertheless, loss or no loss, the Government was committed to a policy of developing Pelni into a replacement for K.P.M., and finding no ready alternative, it determined to improve the company's operations, rather than shelve them and embark on a new project.

### Harbor Facilities

Although harbor warehouses had been subject to licensing since 1935, after World War II the warehouse regulation was loosely administered and a surplus of warehouse organizations sprang up around the major port areas. Most major facilities continued to be Dutch-owned. Most of the smaller ones, many of which were relatively new, were Chinese-owned. Related enterprises, such as stevedoring and harbor transport, were likewise largely in Dutch or Chinese hands. Consequently, there were not infrequent occasions when the newly emerging Indonesian shipping companies felt that their access to such facilities was not so ready as it might have been were they owned by compatriots.

This situation, where a major industry lay largely outside Indonesian hands, did not escape members of Parliament. During the debates on the Natsir Cabinet program, Margono Djojohadikoesoemo (PIR, and President of Bank Negara Indonesia) asked that the Government supervise closely the ownership of warehouses so that the large cities (principally the ports) would not appear to be

<sup>126</sup> owned by aliens. Mr. Iwa called for control of everything in the harbors

<sup>127</sup> as a condition for maintaining the country's independence." During the debates on the Sukiman Cabinet's Program, Iwa reopened the subject. He cited

---

<sup>125</sup> Soendjoto speech (read by Sugih Tjokrosumarto), 25 Mar., I.P. 1954, p. 213.

<sup>126</sup> Speech, 29 Sept.; R.P. 1950, pp. 888-889. Margono resigned from PIR (and became an Independent) in March 1951. Kami Perkenalkan!, p. 101.

<sup>127</sup> Speech, 18 Oct., R.P. 1950, p. 1977.

instances when Indonesian ships had to give up war space to K. P. M. and foreign ships, and expressed regret that there was only one Indonesian warehouse in Tandjong Priok. Asrarudin, also referring to wharf problems of Indonesian ships, complained that ninety-five of the wharves and ninety-two percent of the warehouses in Indonesia were in alien hands, and called for a redistribution of wharves and warehouses in order that national shipping in its formative stage could be protected.<sup>128</sup> During the debates over the Wilopo Cabinet's Program a year later, he asked what the Government was doing about wharves and warehouses while making plans to operate a state shipping company and to aid national shipping.<sup>129</sup>

Meanwhile, among the pioneers in the field of Indonesian wharf and warehouse companies was N.V. Veen Djawa Madura of Djakarta, founded in 1949 by R. Pandji SJOERD Abdoeldjalal, who was co-president with Mr. R. M. Hadiono Kusumo Utojo. This company subsequently set up subsidies in other Java ports and Makassar.<sup>130</sup> One of the few such companies in the outer islands was N.V. Perseroan Dagang USDA, which Tengku Bacharuddin had founded originally as an import company, but had converted into a warehousing company to serve national importers. The company had a liberal labor policy and encouraged its

---

<sup>128</sup>. Iwa and Asrarudin speeches, 1 and 2 June, R.P. 1951, pp. 4441-4442, 4544; cf. report on inspection of congested harbors by Gusti Djohan, 13 June, R.P. 1951, pp. 5058-5064.

<sup>129</sup>. Speech, 6 June, I.P. 1952, p. 634.

<sup>130</sup>. See Charter 164/1954. Pandji Sjoerd was also President of P.A. Maskapai Pelajaran Indonesia Lloyd, a small shipping company which the government had helped finance. Kusumo Utojo, who had been founder and chairman of the Sarekat Buruh Kapal & Pelabuhan (S.B.K.P. -- Ship and Harbor Workers Union), was Chief of the Labor Mediation Service of the Ministry of Labor at the outset of the Unitary Republic.



employees to acquire its stock.<sup>131</sup>

In the absence of constructive suggestions, the Government did not take decisive steps in the field of port wharves and warehouses until drastic changes were planned under the stewardship of Iskaq Tjokrohadisurjo, Minister of Economic Affairs in the first Ali Sastroamidjojo Government. At first the new Government merely indicated that it would aid national warehouse companies by storing goods with them.<sup>132</sup> Not long afterwards a leading Indonesian warehouseman with Communist connections became associated with the P.N.I. (and obtained a bank vice-presidency). A year later, the Regulation concerning the Handling of Ship Cargo was drafted, and on 15 December 1954 (after Iskaq's resignation) it was promulgated.

The new regulation, following the example of the Regulation Restricting Rice Milling and Polishing Enterprises, took its authority from the Industrial Control Ordinance of 1934. Superseding the 1935 regulation for wharf enterprises, it required that all stevedoring, harbor transport, and warehousing enterprises be licensed. A section which appeared to have some double-talk, stipulated that a license application could be rejected as "contrary to the economic interests of the State", if granting such license would be: (1) contrary to the economic and social interests of the State or region concerned; or (2) contrary to the development of a "balanced" middle-class (Art. 7, Sec. 1). The "Elucidation" pointed out that the regulation had been necessitated by the disorganized situation characterizing warehouses in general throughout the country and the fact that most were owned by aliens. This condition was called "contrary to the national economic policy which requires that enterprises

---

131. See Charter 791/1952; Tobing Sumatera Utara, pp. 193, 203-206.

132. Prime Minister Ali statement, 2 Sept., I.P. 1953, p. 779.

handling sea cargo not be controlled by persons who are citizens other than citizens of Indonesia", (i.e., by alien Dutch and Chinese). Consequently, old or new license applicants were required to meet the following requirements.

(Art. 9):

- a. the entrepreneur must be a citizen of Indonesia;
- b. if the entrepreneur is a legal entity, it must be legalized according to Indonesian law, and its stockholders must be citizens of Indonesia;
- c. the enterprise capital must consist of the property of citizens of Indonesia and may not be controlled by persons who are citizens other than citizens of Indonesia [sic];
- d. any right concerning the enterprise -- complete or partial, direct or indirect -- may not be held by persons who are citizens other than citizens of Indonesia [sic].<sup>133</sup>

In view of the period of grace permitted, there was virtually no Indonesianization in the sector of established enterprises before the general elections. In preparation for the future, however, many new Indonesian warehouse companies were set up, involving both well-known businessmen and many new faces.<sup>134</sup>

The sphere of transportation experienced more types of Indonesianization than virtually any other in the country's economy. The State took over operation of the "vital" enterprises in aviation, railways, and shipping. In most instances these had passed through a form of "joint enterprise",<sup>1</sup> or there

---

<sup>133</sup>. "Peraturan Pemerintah No. 61/1954" and "Pendjelasan". The Regulation went into effect at once for new enterprises. Existing enterprises were allowed a period of grace in which to adjust themselves to the new requirements. Enterprises handling less than fifty tons of freight monthly (which formerly were exempt from licensing) were allowed nine months. Enterprises possessing old licenses and those operating warehouses solely for their own freight (which formerly were exempt from licensing) were allowed fifteen months.

The somewhat awkward phrasing of the final clauses in section c and d above are literal translations. Cf. "Peraturan Pemerintah No. 42/1954".

<sup>134</sup>. In the years immediately following, arrangements were made whereby the new Indonesian companies did take over most of the large alien enterprises.

had been plans for such a form. State Indonesianization was least complete in the field of shipping. In highway motor transport, other shipping, and harbor facilities, private ("national") Indonesian companies were promoted. In view of the capital investments involved, however, private Indonesianization (by no means total) appeared successful during this period only in the highway transport sector.

Where both government and private Indonesian capital operated in related fields, it was evident that one did not flourish, depending on the scope allowed private initiative or the protection and assistance offered by the Government. Thus, on the one hand, the State's entry in the field of highway transport could not have survived private competition without heavy government subsidies. On the other hand, the Government's primary concern with its own monopolies (or potential monopolies) in aviation and shipping gravitated against the flourishing of private Indonesian companies there.

The guiding hand in Indonesianization of transport had been the long-term incumbent of the Communications Ministry, Ir. Djuanda. His policies had struck principally at the interests of alternately the Dutch and the Chinese. Even citizens of Chinese descent appeared to have been discriminated against. However, the latest principal measure during this period, a regulation of harbor facilities which was a product of Economic Affairs Minister Iskaq, was the first to affect major numbers of both the Chinese and the Dutch simultaneously.

Before the war Indonesians had been active only in the perahu and highway passenger sectors of transport. Yet by the time of the general elections because of pressure for Indonesianization in every one of its sectors, transportation was the sphere of the Indonesian economy to show the most progress towards Indonesianization.

## CHAPTER XXIII: FINANCE

### Indonesianization of Java Bank officers

After the transfer of sovereignty, De Javasche Bank (henceforth the Java Bank) which had been the circulation bank and also the principal commercial banking institution of the Dutch period, continued to serve these functions in the new federal state. Despite the existence of an Indonesian member on its board of directors and a large Indonesian majority on the board of directors of its main branch for East Indonesia, the Java Bank remained essentially a Dutch owned and staffed corporation. Not only were the top executive positions of the bank's main office at Djakarta staffed virtually entirely with Dutch personnel, but all branch chief agents were Dutch.

During the RIS period there were few changes in the Java Bank personnel picture. In April 1950 the first Indonesian appointment as head of an operating division of the bank occurred when Mr. R. B. Gandasoebrata was appointed Acting Chief of the bank's Foreign Exchange Fund. Then on 19 May, Mr. Loekman Hakim (Minister of Finance of the Republic at Jogjakarta) was appointed the Government Commissioner of the Bank; and on 8 July, Ir. R. M. T. SARSITO Mangunkusumo (former Superintendent of the Mangkunegaran fund) was appointed to the Board of Directors of the Bank in the vacancy left by Ir. Darmawan (the first important Indonesian appointee)<sup>1</sup>

The first Indonesian members to be appointed to top executive positions

---

1. Berita-Negara RIS, 1950, No. 27; "Putusan Presiden RIS No. 174", 19 May 1950, Berita-Negara RIS, 1950, No. 40; Java Bank Report, 1949-1950, pp. 135ff.; Java Bank Report, 1950-1951, p. 118. Cf. Chapter XVI.

were Mr. IndraKasoema, effective 15 August 1950, and Mr. Loekman Hakim, effective 11 September, as Vice Presidents.<sup>2</sup> The Natsir Cabinet declared that their appointments as well as that of Indonesians on the board of directors helped guarantee that the bank worked in the interests of the Indonesian nation. The Government therefore took issue with the implication by Member of Parliament Margono (himself, President of the Bank Negara Indonesia) that a state bank would be preferable to a private bank in safeguarding the country's interests. Asserting that the policies of the Java Bank did not impinge on the Government's freedom to act like that of a sovereign state, the Government declared that nationalization, without guarantees that the work and responsibility were really performed by Indonesians themselves, would possibly only slow down progress. Therefore, the Government gave priority to Indonesianization of the bank's personnel as a prerequisite to carrying out nationalization.<sup>3</sup>

The Government policy expressed above was that of Minister of Finance Sjafruddin. When subsequently his party colleagues, Dr. SUKIMAN Wirjosandjojo and Mr. Jusuf WIBISONO, appeared to neglect this advice and to push for immediate nationalization, the former minister, who had been an authority

---

2. "Putusan Presiden RIS", 14 Aug. 1950, Berita-Negara R.I., 1950, No. 61. IndraKasoema had been RIS Commissioner for Negara Djawa Timur. The two Indonesian appointees became respectively the fifth- and fourth-ranking executives.

3. Government Reply 11 Oct., Risalah Perundangan 1950, pp. 1814-1816. Arudji thought the Government had confused the two terms and rejected the idea that Indonesianization must come first, "recalling the lack of change following "Indonesianization" of the civil service during the Dutch period. The Government then clarified its view: "Nationalization of a new enterprise will achieve the most complete results if that enterprise can completely—from its top leadership to the bottom—be operated by Indonesians who are really expert and experienced." R.P. 1950, pp. 2129, 2225."



since early Republican days on personnel affairs, issued a pamphlet which boldly took issue with those who apparently favored "patriotic sentiment and numbers" instead of rationalization in government personnel policy. Sjafruddin was not happy with demands for immediate nationalization of the Java Bank, for he feared that its existing efficiency and contribution to the country's good international credit rating might suffer as a result. He warned against making "nationalization" a dogma, something which regardless of its effect had to be implemented, declaring that it was only one way for speeding up the achievement of the goals of happiness and prosperity for the people. Consequently, he again suggested that it would be better to continue Indonesianizing the personnel of the Java Bank before nationalizing.<sup>4</sup>

When the Sukiman Cabinet announced plans for nationalizing the Java Bank without consulting its president, Mr. A. Houwink, the latter resigned. Accordingly, the Government appointed as new President, effective 15 July 1951, Indonesia's leading financial authority. The task of leading the Java Bank during preparations for nationalization, while Indonesianization of the personnel was speeded up, fell to Sjafruddin himself.<sup>5</sup> Nevertheless, the number of Indonesian personnel skilled in banking was so small that the Manado agency was to be the only branch of the Java Bank to be headed by an Indonesian before the bank's liquidation. At the stockholders meeting on

---

4. Sjafruddin, Indonesia dipersimpangan Djalan, (Djakarta: Hidup, 1951), pp. 32-34. Sjafruddin proposed that the Dutch personnel, being human beings with feelings like Indonesians, not just be turned out, especially before there were adequate Indonesian replacements. He did not consider hiring other aliens as replacements to have anything in its favor. He urged that necessary preparations be taken before nationalization lest Indonesia "twist the neck of the chicken that lays the golden eggs!" (sic)

5. Java Bank Report, 1951-1952, pp. 11, 211.

24 May 1952, Indonesians for the first time acquired a majority on the board of directors, and Ir. Sarsito moved up as board chairman. Then on 4 September 1952, the two Indonesian vice presidents moved up to take over the two positions of executive vice president. No further major personnel changes in the direction of Indonesianization took place until the bank had been replaced by the Bank Indonesia.<sup>6</sup>

#### Nationalization of the Java Bank

A number of political parties of the old Republic had programs calling for nationalization of several important sectors of the economy. In the resolution of the fourth Masjumi Congress at Jogjakarta in December 1949, only one economic institution was designated for immediate nationalization--the circulation bank. It was no coincidence, consequently, that the first major economic institution in sovereign Indonesia to be nationalized was the Java Bank.

The prime mover behind nationalization of the Java Bank was Mr. Jusuf Wibisono, who on 30 April 1951, three days after assuming the portfolio of Finance in the Sukiman Cabinet, announced that the Government intended shortly to nationalize the Java Bank. A month later as the Sukiman Government explained its program to Parliament, it noted that almost nowhere in

---

6. Ibid., pp. 211ff.; Java Bank Report, 1952-1953, pp. 207, 215-217. Gandasoebrata moved over to head the Menado branch for a year; his replacement was also an Indonesian. Loekman Hakim and IndraKasoema took over the bank's number two and three executive positions, respectively. Dr. SUMITRO Djojohadikusumo and Mr. Sutikno Slamet (Treasurer General) were respectively the Government Commissioner for the bank during each of its last two years of existence. Mr. Wilopo served on the Board of Directors (in the Pelaupessy vacancy) for eleven days before receiving the Economic Affairs portfolio in the Sukiman Cabinet. His successor was Ir. Soarto Sosrohadikoesoemo, in private life top executive (along with Ir. Sarsito) of N. V. Intraport. Niti Soemantri was the third Indonesian board member.

the world where circulation banks still private institutions, since the latter could not work completely in the public interests. Consequently in order that the circulation bank could work solely in the public interest and in keeping with what had been expressed at the Hague conference, the Government felt that the Java Bank should be nationalized.<sup>7</sup>

The Government's announcement regarding the Java Bank was well received, even by the communist groups in the opposition, which, however, expressed a hope that nationalization would not stop with the Java Bank.<sup>8</sup> Nanai Sophiaan expressed the approval of the P.M.I., with the stipulation that the bank come under a supervisory council consisting of the Prime Minister and Ministers of Economic Affairs and of Finance, so that there would be a "healthy cooperation" between their ministries and the bank

---

7. Java Bank Report, 1951-1952, p. 11; Government statement, 28 May, A.P. 1951, p. 4184.

8. R.P. 1951, pp. 4306, 4446, 4492. Maroeto Mitimihardjo, who hoped that the nationalization of the gas and electric companies would not be overlooked, worried about the effect of Art. 19 of the Financial and Economic Agreement at The Hague, which required that the Republic first discuss with the Netherlands Government before changing the Java Bank law. Speech, 1 June, R.P. 1951, p. 4394. The Government reminded him that it was not obliged to reach an agreement with the Dutch Government in its banking discussions. Statement, 7 June, R.P. 1951, p. 4674.

Mr. Tadjuddin Noor saw the nationalization of the Java Bank as opening the way to the maximum possible aid to the national economy from the center to the village and thus to creating a real balance between the various interest groups. Speech, 2 June, R.P. 1951, p. 4507.

Sarwono S. Soetardjo, Sumatran communist who declared himself for the P.K.I., called the attitude of Minister Wibisono concerning the nationalization of the Java Bank, a brave one based on honesty and patriotism. Speech, 2 June, R.P. 1951, p. 4577.

Soemardi (P.K.I.) urged that all other credit banks besides the Java Bank be nationalized. Speech, 2 June, R.P. 1951, p. 4555. This recalls the demand of his party colleague, Achmad Soemadi, for the nationalization of the big banks. Speech, 4 Oct., R.P. 1950, pp. 1620 ff.

president in carrying out a financial policy based on the people's prosperity.<sup>9</sup>

The Government declared that the manner of carrying out the nationalization was then under study and that a nationalization law and a new circulation bank law were being drafted. When they were ready for submission to Parliament, it continued, the necessary details would be ready and the members of that body would have full opportunity to contribute their ideas.<sup>10</sup> Hutomo Suparman (P.K.I. member of the Parliament's Finance Committee), however, pressed for more particulars such as the time and manner of nationalizing, and inquired whether the Government might follow the example of the nationalization of De Nederlandsche Bank or the Bank of England.<sup>11</sup> The following day the Finance Committee announced that it too proposed that the Java Bank be nationalized at once.<sup>12</sup>

Without delay, on 19 June 1951, four days after the Sukiman Cabinet received its vote of confidence, it appointed a six-man State Commission for the Nationalization of the Java Bank, headed by Secretary-General Sediono of the Ministry of Economic Affairs. The Commission decided that the Government should first purchase shares of Java Bank stock on a voluntary basis. Accordingly, on 3 August Minister of Finance Wibisono announced that previous to the law on the nationalization of the Java Bank, the bill

---

9. Speech, 1 June, R.P. 1951, p. 4321. The P.N.I. faction also recommended that the Foreign Exchange Institute be placed under a foreign exchange council consisting of the same three ministers, which would determine foreign exchange policy. In reply, the Government merely drew the speaker's attention to the existing Supervisory Council of the Foreign Exchange Institute.

10. Government reply, 7 June R.P. 1951, pp. 4674-4675.

11. Speech, 12 June, R.P. 1951, pp. 4892-4894.

12. Report, read by Soendjoto, 13 June, R.P. 1951, p. 4964.

for which was shortly to be sent to Parliament, stockholders would be allowed until 1 October 1951 to sell their stock to the Republic for cash at 120 percent of par in Dutch currency or thrice that in rupiahs. Shares not acquired by the Republic in this manner would be expropriated when the new nationalization law went into effect.<sup>13</sup>

The deadline for sales was postponed until 15 October 1951, by which time f.8.8. million of the f.9 million of the bank's capital stock had been sold to the Republic. The Java Bank Nationalization Act was shortly thereafter passed by Parliament and was proclaimed in effect as of 15 December. The justification cited for the act was that the Republic as an independent and sovereign state had to have a central bank with a national character and that to guarantee the public interests the bank had to be owned by the state. The authorization cited the Constitution (Articles 27 and 89) and the Financial and Economic Agreement of The Hague (Articles 3 and 18, Section 8)". The act provided that outstanding shares would be expropriated immediately, and payment made at the above rates--within three years to those residing abroad. Former stockholders dissatisfied"

---

13. Java Bank Report, 1951-1952, pp. 11-12; "Pengumuman Pemerintah", 3 August 1951, Tambahan Lembaran-Negara R.I. No. 192. Other commission members were Treasurer General Soetikno Slamet; Government Commissioner of the Bank, Dr. Soemitro; Tengku Radja Bahaudin SAPARUBIN, Director of the Foreign Exchange Institute; Drs. A. Oudt, General Adviser of the Ministry of Finance; and Drs. KHOW Bian Tie, General Adviser of the Ministry of Economic Affairs.

Foreign residents of countries other than the Netherlands would receive payment in their currencies at the T.T. sales rate on 27 July.



with these rates could appeal to an Indonesian court by 15 February 1952.<sup>14</sup>

### Bank Indonesia

The nationalization of the Java Bank was the first juridical step in the Indonesianization of the country's central bank, for which the new name "Bank Indonesia" was chosen. The second was to change the central bank act, replacing the Java Bank Statute of 1922. Although President Sjafruddin originally questioned the competency of the State Commission for the Nationalization of the Java Bank to undertake also the drafting of such a law, Minister Wibisono confirmed the Commission's interpretation of its broader authority.<sup>15</sup> In the discussions between the Commission and the Bank's officers, Sjafruddin expressed an emphatic opinion on two major issues. Concerning the relationship between the Government and the Central Bank, Sjafruddin, while acknowledging the Bank's obligation to cooperate with the Government, urged that the Bank retain a degree of autonomy to insure that public confidence in the value of the currency be maintained. Thus he likened the Central Bank to the Government's financier rather than cashier. To settle differences of opinion which might arise between the two parties, he recommended the establishment of a Coordination Council composed of representatives of the Government and of the Bank management.<sup>16</sup>

---

14. "Undang2 No. 24/1951", and "Pendjelasan", T.L.H. R.I. No. 192. Despite the Republic's acquisition of the overwhelming majority of the bank's stock before the nationalization law was proclaimed, it did not technically control the bank until 15 December, because according to the Commercial Code each stockholder was allowed a maximum of six votes at stockholders' meetings.

Under the law only approximately f.150,000 worth of stock was turned in. It was assumed that most of the balance of around f.50,000 had been lost. No one utilized the opportunity to appeal the amount of compensation. Java Bank Report, 1951-1952, p. 12.

15. Java Bank Report, 1951-1952, p. 12; Indonesian Review, I (1951), p. 279.

16. Java Bank Report 1951-1952, pp. 13-19.

"The Java Bank at the time of nationalization still had a two-fold function: that of central (and circulation) bank, and that of the country's largest commercial bank. There was a growing demand that this latter function be removed from the tasks of the country's central bank. Sjafruddin, agreeing on this as an ultimate goal, urged that the separation of functions not be "hurried through with undue haste". His reasons were that no money and capital market of any significance existed in the country and that apart from the few foreign banks there were no sufficiently capitalized or experienced private Indonesian banks, while the other state banks were not yet technically in a position to take over the Java Bank's commercial work. Both the development of the Indonesian business community and of the other State-owned banks would be facilitated, he believed, if the Central Bank was not forced immediately to give up its commercial department but would be required by the new law to promote the healthy development of national credit and banking affairs.<sup>17</sup>

Before the bill regulating the Bank Indonesia could be presented to Parliament, there was a cabinet change and Sumitro (P.S.I.) took over the Finance portfolio from Wilisono. Since the decision to replace the old Java Bank statute was not at issue, the matter attracted little attention during the debates over the Wilopo Cabinet's program.<sup>18</sup>

---

17. Ibid., pp. 19-21

18. Ichtisar Parlemen 1952, pp. 436-437, 490, 552. Hutomo Supardan, in reference to the new banking bill, dropped the P.K.I. insistence on nationalization of alien banks, but he recommended that their field of operations be limited and supervised by the Government. Arudji, complaining because the Java Bank was closed on the birthday of the Dutch queen (the Head of the Union), urged that not only the name of the bank be changed but that it be imbued with a real national spirit.

The Government on 3 June 1952 announced that it was studying the circulation bank bill and would forward it to Parliament as soon as possible.

In mid-1952, Minister Sumitro presented the Bank Indonesia bill to the Wilopo Cabinet, which approved it after several changes. In September, it was sent to Parliament. The bill provided that the Bank Indonesia, serving as the central bank, would gradually focus its operations on the functions of a banker's bank and give up its commercial work. The Bank was to be managed by a Managing Board headed by a Governor, and it would carry out policy determined by the Dewan Moneter (Monetary Board), consisting of the Minister of Finance (as chairman), the Minister of Economic Affairs, and the Governor of the Bank Indonesia. All members of the Managing and Monetary Boards had to be Indonesian citizens. An Advisory Council was also to be appointed to serve the Monetary Board.<sup>19</sup>

The bill as originally presented to Parliament intended that the Bank Indonesia be a corporation and so a continuation, under a new name, of the Java Bank. During the section (bahagian) discussions on the bill, some members expressed the view that the corporate form (perseroan terbatas) was inappropriate for a state institution since they associated profit-seeking with that form. They accordingly proposed that the bank be a legal entity regulated by its own statute. The Government, however, preferred the corporation form, which was popular at home and abroad for large enterprises, and was recognized in the international world. Moreover, retaining that form would facilitate continuity for the bank and avoid

---

19. Warta Ekonomi untuk Indonesia, V (1952), p. 609. It was also planned to move the Foreign Exchange Institute into the Bank Indonesia and replace its old Supervisory Council with the Monetary Board.

the trouble of transferring assets and work and liquidating the old enterprise.<sup>20</sup>

The Government's bill followed Sjafruddin's suggestion that the Bank Indonesia retain its commercial banking functions for a transitional period. Some members of Parliament, however, felt that such functions should be terminated at once, and several of these recommended that such functions be transferred to the Bank Negara Indonesia. The Government demurred, following Sjafruddin's argumentation. It preferred not to stipulate a specific time limit for the transitional period, and while acknowledging that the time should be as short as possible, it suggested that commercial banking be channeled to the B.N.I. only gradually and taking consideration of the latter bank's capacity.<sup>21</sup>

Debates on the Bank Indonesia bill opened on 27 March 1953. The text of the bill had provided that the Advisory Council members would be chosen from "leading persons in business circles, management organizations,

---

20. "Memori Djawaban Pemerintah mengenai Laporan Bahagian", I.P. 1953, pp. 436, 442-443. The Government denied that there need be a correlation between profit-seeking and the corporate form. It also rejected a charge that it retained the corporate form in order to facilitate the bank's return to private hands.

21. Ibid., p. 442. Other members of Parliament suggested that an omnibus banking law should be considered at the same time, that too much authority was given to the Monetary Board, and that the amount of advances by the bank to the Government be specifically limited (there was a suggestion of setting the rate at 20 percent of the state's annual revenue). The Government replied that it had drafted such a general banking bill and would submit it shortly. It cited measures for assisting the bank's governor should he find himself in a minority on the Monetary Board over an important issue. (He could appeal directly to the Cabinet, and, if still not satisfied, air his views in the Berita-Negara, the state gazette.) The Government opposed a specific limitation on advances to it, considering the necessity for the annual budgets to be ratified by Parliament as sufficient ties. Ibid., pp. 440-445.

and labor organizations". Masjumi member Wibisono (former minister) did not see any benefit from such a council since it lacked financial and banking experts. Inchi Abdul MOEIS (P.N.I. spokesman), like Wibisono, noted a redundancy in the first two categories of members of the Advisory Council. Since Indonesia was an agrarian state, he proposed that the text read: "leading persons in business, agriculture, and labor." Although Minister Sumitro announced the Government's acceptance of this change, since some feared that the council would provide lectures instead of skilled advice, he urged that the words "leading persons" be replaced by "experts". It was finally decided to use both terms.<sup>22</sup>

Wibisono questioned the wisdom of the requirement that all members of the Bank's managing board had to be Indonesian citizens. Agreeing that ideally all personnel of the Central Bank should be citizens of Indonesia (he would not discriminate between indigenous and non-indigenous), he wondered whether there were sufficient candidate members--should those in line for the top positions vacate them--possessing the three necessary qualities: Indonesian citizenship, a record as a pure Republican fighter, and expertness of an international quality. Feeling that expertness should be given priority, he recommended that an escape clause permit the appointment of a non-citizen expert. Pellaupessy (Demokrat), however, felt that the original text should be maintained. Should it later occur that no citizen was expert enough to become a managing director, a supplemental bill could be submitted to Parliament in order that the citizenship requirement could be waived, he suggested. Minister Sumitro, who indicated that

---

22. Debates on 27 Mar., 2, 7 and 10 Apr., I.P. 1953, pp. 446, 449, 463, 466, 472, 474-475. Cf. Art. 32, Sec. 2, Bank Indonesia Act. The final version was "experts and/or leading personalities in business, agricultural and labor circles."



the Government did not doubt that there were qualified citizens, leaned towards Pellaupessy's views. Declaring that foreigners might well serve as assistants, he asserted that persons holding high offices with great responsibility in important institutions had to be Indonesian nationals. He defined the Government's qualifications for members of the managing board as citizenship, expertness, and integrity.<sup>23</sup>

Concerning the legal form of the Bank Indonesia, Mr. Tadjuddin Noor (PIR), Kiaji Hadji TJIKWAN (Masjumi), Subadio Sastrosatomo (P.S.I.), and Mr. Tjoeng Tin Jan (Katholik) backed the Government for retaining the corporation-form. Hutomo Supardan thought that the bank should remain a corporation for a transitional period of one year. Wibisono championed the public corporation form over the private, joint-stock corporation, since private stockholders were not allowed and the possibility of bonuses for the officers might encourage larger profits. Siauw opposed the corporation form, insinuating that it had been urged on the Indonesian Government by the Dutch Government. Maruto insisted that the bank be a legal entity regulated by statute. Minister Sumitro, denying that the Netherlands Government had any direct voice in drafting the bill, repeatedly upheld the corporation form as best. He finally agreed, however, that whatever Parliament decided on the matter would be acceptable. A proposal that the bank be given a "public-law form" passed 62 to 10. When the Government then revised the draft to call the bank simply a "legal entity", Wibisono and Iwa called that insufficient. Accordingly the text

---

23. I.P. 1953, pp. 447, 450, 464-465. Cf. Art. 27, Sec. 7 of Bank Indonesia Act. Sumitro declared that his Government had no intention of discriminating between indigenous and non-indigenous citizens and that he hoped that subsequent cabinets would act similarly.

was made to read: "The Bank Indonesia is a state-owned legal entity".<sup>24</sup>

The Government had indicated in its elucidation to the bill that a general trading bank (referring to the B.N.I.) had to be built up and the commercial tasks gradually turned over to it. I.A. Moeis, who in view of the work and management of the B.N.I. considered it unfit to receive the Bank Indonesia's commercial functions, misread the elucidation to mean that a new organization called the General Trading Bank would eventually be established to take over such tasks via the B.N.I. He proposed that such a bank be staffed with personnel from the commercial department of the Java Bank in order that it could assume such work without delay, and that a transitional article in the law provide that it be set up by 31 December 1953, after which the commercial work of the Bank Indonesia would be transferred to it. In reply, Minister Sumitro, while indicating that the Government might agree if Parliament specified a limit to the transitional period, pointed out the Moeis misconception and asserted that the Government would perfect its existing banks and not create a new one. Accordingly, Moeis offered as an amendment the provision that functions outside those of a central or circulation bank would be delegated to other banks to be designated by law by 31 December 1953 at the latest. This amendment was acceptable to the Government, which already had in draft form laws defining the work of its other state banks.<sup>25</sup>

---

24. Debates on 27 Mar., 2, 7, 10 Apr., I.P.1953 pp. 447, 453, 455, 464-469, 471, 474-475. Cf. Art. 1, Sec. 2 of Bank Indonesia Act. Since the Bank was not a private corporation, it was authorized to operate under adat law as well as European civil and commercial law. Cf. Art. 2, Sec. 1 and 2.

25. Debates, 27 Mar., 2, 7, 10 Apr., I.P.1953, pp. 449, 460-461, 467, 469, 472-473. Cf. Art. 36, Sec. 2 of Bank Indonesia Act.

In addition to the above, several other features of the bill were debated, but being of a financial-technical nature they had no political overtones.

The Bank Indonesia Act was then approved by Parliament on 10 April 1953, and it went into effect on 1 July 1953. The era of good feeling in which the act was approved soon soured, and the Wilopo Cabinet was out of power. Since the Ali Cabinet did not specify a successor (namely the P.N.I.) to take over the commercial functions of the Bank Indonesia, the provision for which I.A. Doeis had labored became a dead letter, and the central bank continued as the country's principal commercial bank.

In accordance with the law, only Indonesian citizens were appointed to the bank's Management Board. In accordance with the bank act (Art. 38), Sjafruddin became bank Governor and Loekman Hakim and Indra Kassoema became Deputy Governors (and Managing Directors)". On 11 November 1953, the nine members of the Advisory Council were appointed, chosen principally from political parties supporting the Ali Sastroamidjojo Cabinet and headed by Rm. Koesnan (P.N.I.). Since the bank act allowed for two more managing directors, Ir. Darmawan Mangoenkoesbemo and Director Sabarudin of the Foreign Exchange Institute (which was brought into the Bank Indonesia on 13 March 1954) were appointed to these positions effective 1 March 1954. The incumbents of

that day remained in office for the period under review.<sup>26</sup>

### Bank Negara Indonesia

At the time of the establishment of RIS, the B.N.I., which had been set up in mid-1946 as the Republic's bank of issue, no longer had its original function to perform, for the RIS Constitution provided that there would be only one circulation bank, and that was the Java Bank. During the Hague Conference Indonesian officials had decided to reject the plan for participation with the Netherlands Government in the joint reconstruction bank which the latter had been planning since 1948. The Indonesians instead hoped to convert the B.N.I. into a wholly Indonesian reconstruction and development bank. However, the B.N.I., which entered 1950 with offices only in Djakarta and Jogjakarta, had lost its capital during the second military action. Accordingly, the RIS Ministry of Finance on 28 March 1950 provisionally provided it with ten million rupiahs as initial capital for financing projects pending its legal reorganization as a reconstruction

---

26. Bank Indonesia Report, 1953-1954, pp. 12, 168; Bank Indonesia Report, 1955-1956, p. 190. Loekman Hakim and Indra Kasoema were reappointed for five year terms as First Deputy Governor and Second Deputy Governor, respectively, effective 15 August 1955. Ir. Darmawan gave up his position as Director General for Foreign Affairs of the Ministry of Economic Affairs when he entered the bank. Sabarudin, who retained the position as head of the Foreign Exchange Institute, required Government dispensation from the provision (in Art. 25 of the Bank Indonesia Act) against members of the Managing Board being related within the third degree. He was related by marriage to Governor Sjafruddin, a reason why his appointment (as well as that of Ir. Darmawan) was delayed about four months.

Other members of the Advisory Council were A.A. Achsien (N.U.), I. Tedjasukmana (Partai Buruh), and O. Rondonuwu (Progresif), all members of Parliament, and Ir. S. Sosrohadikusumo (formerly on the Java Bank Board of Directors), S. Gondokusumo (Parindra, founder of the Bank Nasional Indonesia of Surabaya--the first Indonesian banking corporation), M.I. Dauley (P.R.N.), and Soele (PIR). An important exception from the requirement that an Advisory Council member be a supporter of the Ali Cabinet, was the selection from the Opposition of Wibisono (Masjumi), who, of course, had spearheaded the nationalization of the Java Bank.

bank and the Government's participation therein. The Republic Ministry of Finance at Jogjakarta provided 7,500,000 rupiahs.<sup>27</sup>

During the RIS period, in preparation for the B.N.I.'s reorganization, a new legal form was given consideration. Although some groups thought of converting the B.N.I. into a foundation (jajasan) the prevailing view was originally to make it a corporation<sup>28</sup> somewhat along the lines of the plan proposed by the Dutch for the joint reconstruction bank. The new institution would be capitalized at 200 million rupiahs, and the RIS and the Jogjakarta Republic were to share equally in its priority stock, while one quarter of the shares were to be sold to the public. After the formation of the Unitary State, it appeared that the new government would take up all the priority stock by itself, possibly with funds from the E.C.A. Counterpart Fund. The matter was dropped, however, when plans were embarked upon for forming a reconstruction bank separate from the B.N.I. Then in 1951 as the Bank Industri Negara was set up, an emergency law was drafted to reorganize the B.N.I. and authorize it to function as an import and export bank.<sup>29</sup> However, another four years were to pass before the B.N.I. was legally recognized.

---

27. A. Karim, "The History of the Indonesian National Bank", Ekonomi dan Keuangan Indonesia, VII (1954), pp. 243-245; Panggabean, Menudju Bank Nasional, p. 94; Scheffer, Het Bankwezen in Indonesië, p. 121; Java Bank Report, 1949-1950, p. 42. See Chapters XIII and XVI.

28. Unlike the private corporation, the jajasan (as an entity outside the Commercial Code) did not require a fixed capital, at least two stockholders and shares of stock, and ratification of its charter by the Minister of Justice. However, it would have been subject to unlimited liability. The private corporation could not acquire realty subject to adat law.

29. Scheffer, op.cit., pp. 121-123; Indonesian Review, I (1951), p. 279.



In order that the B.N.I.--still pending its transformation into a reconstruction bank--might receive proper instructions on how to provide credits with the funds presented it by the Government, RIS Minister of Finance Sjafruddin on 4 May 1950 appointed a ~~seven~~-man Credit Commission headed by Director Sabarudin of the Foreign Exchange Institute.<sup>30</sup> Although it was originally believed that the B.N.I. would be concerned equally with the rehabilitation and development of industrial and commercial concerns, its first general task assignment was to provide credits to Indonesian importers ("newcomers"), which were experiencing much difficulty with regard to purchasing foreign exchange certificates that had been required since March 1950. Accordingly, in order to make more funds available, the RIS Government in mid-July provided forty million rupiahs in notes to be used by the Java Bank as security for loans to the B.N.I. By the beginning of August the B.N.I. had begun taking over from the Algemene Import Organisatie the task of financing Indonesian importers.<sup>31</sup> However, the demand for credits by the newcomers was so great that the B.N.I. soon exhausted its resources and was borrowing from the Java Bank without security while at the same time rejecting many credit applications. The situation B.N.I. President Margono likened to that of the cook who had been instructed to prepare dinner for a large number of guests, yet

---

30. "Keputusan Menteri Keuangan RIS Nr. 88973/U.U.", 4 May 1950, cf. Scheffer, *op.cit.*, pp. 198-199. Three members were from the Ministry of Finance (General Adviser Oudt, Treasurer General Soetikno Slamet, and Director E.T. Kuiper of the Bureau for Reconstruction Financing); two from the Ministry of Prosperity (General Adviser Darmawan and Chief Suria Atmadja of the Department of Organizations Development); and one representative from DEIP (R. Koesmoeljono).

31. Laporan Bank Negara Indonesia. 1950-1951, (Djakarta, 1952), p. 15. The B.N.I. took over Rp. 24 million worth of credits previously granted by the A.I.O.

by the time they were beginning to arrive, money for rice had still not been given. The situation ameliorated somewhat as one of the last Government Regulations of RIS added a further increment to the bank's working capital.<sup>32</sup>

To make it possible for the B.N.I. to work effectively in the field of foreign trade, it was designated a "foreign exchange bank" on 15 September 1950--the first Indonesian-owned bank to achieve this position. The bank's activities quickly mushroomed, and in late 1951 it began opening up branches. By 1954 it had thirteen branch offices--the same number as at the height of its activities in 1947. But only six of them were reopened offices, the other seven being established in new cities.<sup>34</sup> During 1952, the bank's provisional capital, provided by the Government, was set at Rp. 100 million. In addition, the Government by the end of the year had provided a total of Rp. 240 million to the bank in advances, and it required several semi-governmental institutions to keep deposits in the bank.<sup>35</sup> With such resources, plus private credit balances, the B.N.I. was able to grant

---

32. "Peraturan Pemerintah No. 13" and "No. 19", 1950, Lembaran-Negara RIS, No. 42 and 55; Margono speech, 29 Sept., R.P. 1950, p. 885.

The Government expressed sympathy for Margono's feelings, saying that he in turn should understand the Government's feelings when it finds the cash box empty. It requested that impossible hopes which might have been raised would not be repeated. Government Reply, 11 Oct., R.P. 1950, p. 1813.

33. "IAAPLN Pengumuman A No. 30", 15 Sept. 1950. On 7 November 1952, the B.N.I. was designated as a depository for foreign securities. "Peraturan Pemerintah No. 48/1952".

34. Except for the Jogja branch, that which reopened at Solo, and that which newly opened at Bandung, all B.N.I. branches were in seaports--befitting its new function as a foreign trade bank. Other old branches in the interior, which had operated when the Dutch regained the port cities, were not reopened. Seven of the branches were on Sumatra, one in Sulawesi (Makassar).

35. Java Bank Report, 1952-1953, p. 79; Nota Keuangan 1954, Table VI/III.

credits on an ever increasing scale. At the end of 1951, after two years of the B.N.I.'s renewed existence, outstanding credits totalled approximately Rp.250 million. In another two years, i.e., by the end of 1953, credits outstanding rose to Rp.522 million." Thereafter, partly as a result of the country's recession, the increase was at a reduced rate so that by the end of 1955 the amount outstanding was Rp.660 million!<sup>36</sup>

But the B.N.I.'s appearance in the field of commercial banking, especially in financing importers most of whom were new to their business, or to any business for that matter, met with its share of problems. Its first importer credits were issued under terms--approved by the Ministers of Finance and Prosperity--which A.A. Achsien (Masjumi), one of the few businessmen in Parliament, called oppressive, especially since the "protected" importers had virtually no freedom of action in determining what goods they would import.<sup>37</sup> Later, after the establishment of Gapindo, the B.N.I. channeled most of its import credits through that organization (which in turn distributed them to its members) under far more lax repayment terms. The arrearages of the B.N.I., as a result, grew far in excess of those of most commercial banks. Many of the new borrowers, reported Margono, considered B.N.I. loans to be gifts, and when reminded that repayment was expected, they frequently complained that the bank was colonial.<sup>38</sup> By mid-1951, Mr. Iwa Kusuma Sumantri, who only eight months

---

<sup>36</sup> Karim, op.cit., p. 244; Bank Indonesia Report, 1953-1954, p.67; Bank Indonesia Report, 1955-1956, p. 80. At the end of 1954, on the eve of its reorganization, B.N.I. outstanding credits amounted to Rp.610 million.

<sup>37</sup> Speech, 29 Sept., R.P. 1950, pp. 898-899. The repayment terms to which Achsien objected were: 1/8 immediately, 3/8 when the bill of lading arrived, and the balance in 45 days.

<sup>38</sup> Cf. Scherfer, op.cit., p. 140. Concerning Gapindo, see Chapter XXIV.

before had proposed that all foreign exchange be administered by the B.N.I., was demanding a house-cleaning in the bank. He not only disapproved of its credit policy (which he alleged caused the loss of funds provided by the Government), but also of its personnel policy, which he considered to be based on friend and family ties.<sup>39</sup> As a result of continued defaulting by importers, the B.N.I. was compelled to reduce its scale of financing them during 1951, at the end of which year half of the Rp. 180 million in credits extended to importers was still in arrears!<sup>40</sup> By 1952, however, the bank was again busy serving importers, for having introduced more business-like methods in providing loans, it received a large infusion of capital from the Government.

In its policy of helping "Indonesian" importers, the B.N.I. limited its credit extension primarily to "indigenous" companies. This quickly drew an attack from Siauw Giok Tjhan (Chinese minority), a Marxist and a principal promoter of hate campaigns against foreign capital (so long as the term was not construed to apply to Chinese capital). Siauw called this practice evidence of the criminal "asli" (indigenous) policy, which violated the Constitution.<sup>41</sup>

---

<sup>39</sup>. Speech, 1 June, R.P. 1951, p. 4446; cf. speech, 3 Oct. 1950, R.P. 1950, p. 1269.

The Government replied that it would seek improvements, but warned that strict measures against debtors should not run contrary to its intention that an Indonesian businessmen's group be developed. Reply, 15 June, R.P. 1951, p. 5100e

<sup>40</sup>. Laporan Bank Negara Indonesia, pp. 15-175

<sup>41</sup>. Speech, 18 Oct., R.P. 1950, p. 1915. Siauw suggested that a person with a name like "Sidin", who might have once been an agent for the Dutch military intelligence and a traitor could get a B.N.I. credit, whereas a person named "Tan" who might have served with the Indonesian armed forces could not!

The Natsir Government replied with a series of rhetorical questions which said in effect that pending the end of the period for rejecting citizenship (27 December 1951), it was difficult to differentiate between citizens and non-citizens in the Chinese group; that the Chinese group held an important position in the economic and financial field, and that the Chinese had many opportunities outside the B.N.I. to obtain credit, which were closed to indigenous citizens; and that funds available to the B.N.I. were very limited in amount whereas alien banks had far greater financial resources. It suggested that the B.N.I. credit policy was determined by difficulties and practical considerations and was not intended to discriminate between indigenous and non-indigenous citizens".<sup>42</sup>

The five-year term of the B.N.I. officers expired in mid-1951, but since a reorganization was still pending, they were allowed to retain their positions. The first major personnel reorganization came under the Ali Sastroamidjojo Cabinet, when effective 1 November 1953, the leadership of the B.N.I. and the B.I. were shaken up. Murgono was appointed chairman of the B.N.I.'s Supervisory Council, leaving the way clear for First Vice President Abdul Karim to move up as Acting President. On 1 March 1954, he was made full President. Meanwhile, Gondosuwirjo moved up from Second to First Vice President, and from outside the bank Mr. R.I. Hadiono Kusumo Utojo was chosen as Second Vice President. Although the change in officers was not so drastic as that of the Bank Industri Negara, it was still generally considered as another move to

---

<sup>42</sup>. Government Reply, 25 Oct. R.P. 1950, pp. 2217-2218.



strengthen the position of the P.N.I. in banking circles.<sup>43</sup>

The "emergency" law reorganizing the B.N.I., which had been pending for four years, was finally promulgated in February 1955, retroactive to the beginning of the year. The 1955 Bank Negara Indonesia Emergency Law rescinded the 1946 charter, declaring the B.N.I. to be a State-owned bank and a legal entity authorized to perform its task on the basis of that law. It defined the task of the Bank as "to help promote the prosperity of the people and national economic development in the field of commerce in general and the import and export trade in particular." The capital was set at Rp. 300 million (a figure Rp. 55 million less than the working capital which the Government had up to then provided). The new law provided--like the 1946 regulation and the Bank Indonesia Statute--that the executive officers had to be citizens of Indonesia and could not be related within the third degree. Those then in office retained their positions, but the Supervisory Council was revised so that the Treasurer General became ex-officio chairman.<sup>44</sup>

---

<sup>43</sup>. "Keputusan Presiden R.I. No. 95", 28 May 1953, "No. 183", 31 Oct. 1953; and "No. 64", 10 Mar. 1954. Kusumo Utojo, who had been the first chief of the Labor Mediation Service of the Ministry of Labor, resigned as vice President of Veem Djawa Madura N.V. to accept this appointment. He, like Abdul Karim, were P.N.I. members. Abadi, 23 Oct. 1953.

Subsequently, Jan Daniel MASSIE (of P.R.N.), a B.N.I. inspector, was raised to the position of Deputy Vice President (retroactive to 1 November 1953) and to (Third) Vice President on 1 March 1954.

<sup>44</sup>. "Keputusan Presiden R.I. No. 209", 28 Dec. 1953; "No. 88", 29 Mar. 1954.

<sup>44</sup>. "Undang-undang Darurat No. 2/1955", Lembaran-Negara R.I. 1955, No. 5. The law's elucidation said that the corporation form had been rejected for the B.N.I. because there was only one stockholder (the State) and whereas the Government's task was a social one, corporations were individualistic-capitalistic. As a legal entity established by statute--like the B.I.N. and Bank Indonesia--it could work freely in the field of European and adat law.

By a coincidence the only two ex-officio members specified for the Supervisory Council in the law were P.N.I. incumbents, namely the Treasurer-General (Mr. R. Soegiarto) and the Secretary-General of the Ministry of Economic Affairs (Mr. Soemarno).

Now that it was legally a commercial bank instead of a bank of issue, the B.N.I. opened its first foreign branch, in Singapore, in November 1955, thereby becoming the first "national" Indoensian bank with an office in that important port.<sup>45</sup>

#### B.N.I. Subsidiaries

The 1955 B.N.I. Emergency Law prohibited the bank from participating in the capital of enterprises, unless such was "necessary and good for the development of the State and national economy" or by permission of the Minister of Finance. In effect, therefore, the B.N.I. could continue to participate in new incorporations, as it had been doing since 1946, first on a slight scale, then since 1950 (when it essayed development work) on a more significant scale. Moreover, it continued financing many operations outside the field of foreign trade, which field, despite its constituting by far the largest part of the bank's work, seldom during its first five years of renewed existence accounted for more than half of the outstanding credits.<sup>46</sup>

In 1950, the B.N.I. was the principal founder of a shipping company and an insurance company.<sup>47</sup> Although by then its principal task has become the financing of Indonesian newcomers in foreign trade, and one B.N.I. subsidiary--C.T.C.--was developing as a leading Indonesian national company in foreign trade, the B.N.I. established another

---

45. "Pendjelasan", Tambahan Lembaran-Negara R.I. No. 749; Bank Indonesia Report, 1955-1956, p. 80.

46. Karim, op.cit., p. 244; Bank Indonesia Report, 1955-1956, p. 80. Outside of trade, the B.N.I. had provided credits to companies in industry, arriculture, transportation, and publishing.

47. See N.V. Djakarta Lloyd in Chapter XXII, and "Insurance Companies", infra.

commercial subsidiary in October 1950, N.V. Perseroan Dagang "Putera". Putera's establishment--although it had an initial paid-in capital of only Rp.20,000, it was soon importing many government orders--was not looked on with favor by some politicians, since it was suspected to be a P.S.I. firm and one of its founders and eventually its president was Drs. TAN Goan Po, crony of Minister Sumitro, and the head of its Board of Directors was Mr. R. SOEDIMAN Kartohadiprodjo (P.S.I.).<sup>48</sup>

In 1952, having made most of the preparations, the Bank Negara Indonesia acting through Putera jointly financed with the B.I.N. the establishment of the N. V. Indonesian Service Company, which operated an assembly plant at Tandjong Priok and on the board of which Tan served.<sup>49</sup> Minister of Defense Hamengkoe Boewono subsequently was taken to task by some members of Parliament for allowing his ministry to purchase tires through Tan. The minister denied the charge of Ir. Sakirman (P.K.I.) that there was something wrong with the transaction and pointed out that the tires had merely been ordered through Putera (of which Tan happened to be president), which was the representative of the manufacturer in the Netherlands. Nevertheless, one of the points cited by Zainul Baharuddin (non-party) in the justification of the motion of non-confidence in Minister Hamengkoe Boewono proposed on 23 September 1952 remained the allegation that prominent members of his ministry had

---

48. See Charter 76/1951." Iwa wondered whether the Government had approved the B.N.I.'s investing in another import-export company while its money was "badly needed by Indonesian businessmen". Query, 4 Nov., I.P. 1950, p. 582.

49. See Chapter XIX." The Putera charter indicated that it was to participate in and manage industrial enterprises. The I.S.C. had Dutch vice presidents. "The other two members of its board of directors were representatives of the B.I.N. and B.N.I., respectively.

designated "certain organizations" to undertake purchases for the entire armed forces, which strengthened the charge that this provided material profit to a "certain group" [the P.S.I.]. He elucidated on 1 October by citing the intermediacy of Putera and I.S.C.--in both of which Tan was a principal officer and Dr. Sumitro was alleged to be the adviser--in the purchase of over Rp. 8 million in tires for the Ministry of Defense.<sup>50</sup>

The Zainul Baharuddin motion and its attack on the two B.N.I. subsidiaries did not come to a vote, since the "October 17th Affair" intervened. Meanwhile, Putera, like its sister company--the C.T.C.--flourished in the importing field and became active in exporting. However, thereafter the B.N.I. was slow to participate directly in any more new enterprises.

#### Bank Rakjat Indonesia

Of all the Indonesian state commercial banking institutions only one twice went through the experience of Indoensianization: the Bank Rakjat Indonesia.<sup>51</sup> The B.R.I. had been originally organized out of the Syomin Ginko of the Japanese period, which had replaced the Algemeene Volkscredietbank. However, with the return of Dutch control over parts of Indonesia, the A.V.B. had been revived, and it gradually took back the branch offices operated by the B.R.I. Since during late 1949 B.R.I. branch offices in the Jogjakarta Republican area were reopened, Indonesia

---

50. I.P. 1952, pp. 769, 782-783, 817, 835. Co-signers of the motion were Kobarsjih (Partai Murba), Bebas Daeng Lalo (P.R.N.), A.B. Mohamad Jusuf (Partai Buruh), and Rasuna Said (non-party).

51. The postal savings bank, the Bank Tabungan Pos, went through a similar experience as it replaced the Postspaarbank for a second time. Its first Indonesian president, R.S. Darmosoesanto, was reappointed to that position early in 1950. "Undang2 Darurat No. 9", 13 Feb. 1950; "Putusan Presiden RIS No. 200", 23 June 1950.

after the transfer of sovereignty found itself with two versions of a state bank for agricultural and middle-class credits, one with headquarters at Djakarta and the other at Jogjakarta.

Shortly after the establishment of RIS, the name of the A.V.B. was changed to Bank Rakjat Republik Indonesia Serikat (BARRIS--People's Bank of the Federal Republic of Indonesia). The name change did not end confusion, for those branches under the B.R.I. retained its name, and some of the branches were not sure which set of instructions to follow. Then by decree of RIS Minister of Prosperity Djuanda on 16 March 1950, President Harsoadi of the B.R.I. was named President of BARRIS, while the outgoing head of BARRIS was designated advisor for BARRIS. Two weeks later, on 30 March, by joint announcement of the two bank systems BARRIS was redesignated "B.R.I.(A.V.B.)" and each system was assigned its own territory. Those branch offices of BARRIS within the area of the Republic at Jogjakarta were converted into B.R.I. offices. The B.R.I. continued operating under the 1946 government regulation which established it, while the B.R.I.(A.V.B.) operated under the 1934 ordinance which had set up the A.V.B.<sup>52</sup>

The rationalization of the B.R.I. systems, which operated 101 branch offices at the outset of 1950, went on slowly before and after the formation of the unitary state. A reason for this was that many of the Dutch personnel in the former A.V.B. system applied for home leave and remained in the Netherlands, while trained Indonesian replacements

---

52. Scheffer, op.cit., pp. 127-128. Although the Ministry of Trade and Industry at Jogjakarta provided funds to be channeled to small industry through the B.R.I., reflecting its original agricultural stress the bank was put administratively under the Ministry of Agriculture. "Peraturan Pemerintah No. 6", Jogja, 21 Feb. 1950.



were not always immediately available. Dutch personnel remaining on the job had a higher pay scale than the Indonesians of the original B.R.I. offices, which caused some dissatisfaction among Indonesian personnel. 53

It was not until April 1951 that a new regulation was proclaimed for the B.R.I., which had absorbed the B.R.I. (A.V.B.) system. The principal purpose of the new regulation was to define the tasks of the bank, which, it had long since been decided, would emphasize credits to "middleclass" businessmen rather than to farmers as during the Dutch period. One of the justifications cited for the new regulation was to aid in carrying out the Government's economic plans, principally through granting credits to the "middle-class". Among other purposes specified were handling funds of the autonomous regions, accepting savings from the public, and providing advice and aid to rural credit organizations and cooperatives. The B.R.I. was authorized to conduct general banking and to grant loans to groups other than the "middle-class" so long as other credit bodies were not able to meet their demand satisfactorily. A provisional article provided that small-scale credits and supervision of village banks and rice-sheds would gradually be turned over by the B.R.I. to an organization specified by the Minister of Trade and Industry. 54 The bank operated as a semi-autonomous body within the Ministry of Trade and Industry. Since the A.V.B. had been created by ordinance, the Government in March 1951 submitted a bill to Parliament for its abolition, and it was passed later in the year. 55

---

53. Laporan Bank Rakjat Indonesia, 1953, pp. 20-22.

54. "Peraturan Pemerintah No. 25," 21 Apr. 1951. The Department of Cooperatives was subsequently designated to take over gradually the small-scale and rural services of the bank.

55. "Undang-undang No. 12," 29 Aug. 1951. The B.R.I. was put in charge of the liquidation of the A.V.B.

The capital of the B.R.I. was not fixed at a specific sum by its new regulation, and the size of the loans it granted was thus dependent upon contributions which the Government made to the bank. There was a nebulous line between those contributions which were capital increments and those which were advances of working capital. Starting with a "capital" of 9.5 million rupiahs after the transfer of sovereignty, the B.R.I. received another Rp. 17.8 million from the Government during 1950 and took over assets of the A.V.B. amounting to Rp. 39 million. In 1951, the Government contributed Rp. 15 million, and in 1952, another Rp. 150 million (two-thirds of which was earmarked for middle-class loans). Other working capital was drawn from savings and other deposits, which exceeded Rp. 200 million in 1952.<sup>56</sup>

As Table 43 indicates, the B.R.I.'s business continually expanded during the period under review except for the recession year of 1954. The expansion was only partly attributable to inflation. Its primary cause was increased activity by small business.<sup>57</sup> Arrearages, however, continued at a high rate, amounting to fourteen percent in 1954.<sup>58</sup> Although such

---

<sup>56.</sup> Laporan Bank Rakjat Indonesia 1953, pp. 19, 100. About Rp. 20 million in cash and Rp. 19 million in securities was taken over from the A.V.B. By the end of 1952, according to the Government's accounting, its "advances" to the B.R.I. totaled Rp. 169 million. Nota Keuangan 1954, Table VI/III.

<sup>57.</sup> Laporan Bank Rakjat Indonesia 1953, pp. 17, 64. The number of borrowers rose from 341,000 in 1950 to 805,345 in 1952, but fell to 663,838 in 1953 (because of the reduced number of rural clients). The average loan rose from Rp. 329 in 1950, to Rp. 603 in 1952, and Rp. 1287 in 1953.

<sup>58.</sup> Cf. Statistik 1956, p. 170. Arrearages dropped from 16% to 11% between 1950 and 1951.

high rates reflected somewhat the continued relatively unstable economic conditions and (in places) local insecurity, the Bank ascribed them also to the reduced moral level among many borrowers, as evidenced in a lack of any feeling of an obligation to fulfill their business contracts, which was a consequence of the long years of war and deprivation.<sup>59</sup> On the other hand, because of the short-term of most B.R.I. loans (usually under one year), which often needed to be repaid before their benefit had been fully felt, many borrowers made a concerted effort to avoid arrearages by repeatedly applying for additional loans in order to pay off earlier ones.<sup>60</sup>

As Table 44 shows, the share of credits outstanding (as well as extended) in the "middle class" category rose continually, in keeping with the change in

Table 43: Bank Rakjat Indonesia Credits (in millions of rupiahs), 1950-55

<u>Year</u>	<u>Annual</u>		<u>Cumulative</u>		
	<u>Loans granted</u>	<u>Loans repaid</u>	<u>Loans outstanding</u>		<u>Arrears</u>
1950	109	81	28	62	7
1951	310	236	74	135	14
1952	526	413	113	245	33
1953	737	560	177	437	49
1954	734	718	16	475	67
1955	969	845	124	603	83

Source: Statistik 1956, p. 170.

<sup>59</sup>. Laporan Bank Rakjat Indonesia 1953, pp. 38-40, 83-87.

<sup>60</sup>. Finance Committee Report (read by Soendjoto), 26 May, I.P. 1952, pp. 498-499.

Table 44: B.R.I. Credits Outstanding, by Category of Borrower, 1950-1955  
(in millions of rupiahs)

End of	Agrarian sphere		Fixed income persons		Middle-class, etc.	
	Amount	%	Amount	%	Amount	%
Jan. 1951	41	58	6	8	22	34
Dec. 1951	65	48	12	9	58	43
Dec. 1952	83	33	21	9	148	58
Dec. 1953	94	20	60	13	307	67
Dec. 1954	93	19	67	14	321	67
Dec. 1955	106	18	84	14	416	68

Source: Laporan Bank Rakjat Indonesia, 1953, pp. 26, 102-1075  
Bank Indonesia Report, 1955-1956, p. 81.

emphasis of the bank's duties. Although the "middle-class" category was used by the bank to cover many groups besides local businessmen, credits to businessmen have not unexpectedly shown a tremendous increase, from Rp.18.4 million during 1950 to Rp.224.7 million during 1955.<sup>61</sup>

It would hardly be expected that a large state organization with branches scattered throughout the country in virtually every kabupaten could be entirely free from politics. The B.R.I. was no exception. Late in 1953, its central management headed by President Harsoadi (P.N.I.) ordered the transfer of Rukmana and R. Djumarma (Masjumi) from the posts of head of the B.R.I. Bandung branch and head of the important West Java inspectorate, respectively, to less important posts. The reason given was that the Bandung branch had granted loans in excessive amounts without proper security and without clearance from Djakarta. After attempts were made to get the management to revoke

<sup>61</sup> Statistik 1956, p. 170. The B.R.I. financial statistics were continually subject to revision and the sub-categories of borrowers were often grouped together in different categories. Consequently, the data presented in the first B.R.I. report and in Bank Indonesia reports as well as the 1956 volume of statistics seldom contained identical figures.

its order, Djumarma and the heads and staffs of ten branches in West Java threatened to resign. Then on orders from Minister Iskaq, Djumarma and Rukmana were suspended. Still recriminations flew back and forth between Djakarta and Bandung. Suddenly, on 17 December 1953, Harsoadi, who had been with the A.V.B. since its founding and had held the top B.R.I. post for over seven years, resigned. Since the two vice presidents refused to act in his place, Minister Iskaq appointed Chairman Soeria Atmadja of the B.R.I. Supervisory and Aid Council to act as president. Weeks later a special government regulation legalized this move. Meanwhile, a three-man commission investigated mistakes in the personnel and credit policy of the B.R.I. management.<sup>62</sup> When no other suitable candidate was found, the hard-working Soeria Atmadja was appointed B.R.I. President, relinquishing his position as Chief of the Directorate of the (Smallholder) People's Economy in the Ministry of Economic Affairs.

#### Jajasan Kredit

Those Indonesian businesses already established and operating had relatively little difficulty getting some kind of credit from the B.R.I. and after mid-1950 from the B.N.I. so long as they had sufficient property to post as security. However, the would-be entrepreneur wishing to start a new business and lacking the capital therefor, seldom could obtain a loan from either the state or the private commercial banks. To overcome this problem, several

---

<sup>62</sup>. Abadi, 10 Dec. 1953; Antara, 17 Dec. 1953; "Peraturan Pemerintah No. 8", 9 Feb. 1954. Harsoadi had also been Chairman of the Supervisory Council of the Bank Tabungan Pos. The impartial commission consisted of Mr. R.A. Kartadjoemena (Director General for State Revenue in the Ministry of Finance), Mr. Sukasno (B.I.N.), and Gondosuwirjo (B.N.I.). Second Vice President Parmin Martokoesoemo resigned and became head of the Bank Umum Nasional, infra.



administrative offices in the Ministry of Trade and Industry undertook to provide commercial credits. Since new problems of administering such credits arose, Minister Sumitro on 28 November 1950 decreed that a Jajasan Pemusatan Djaminan Kredit Rakjat (Foundation for Centralizing Guarantees for Popular Credit) should be set up. Three days later by notarial act such a foundation, or Jajasan Kredit for short, was set up with Soeria Atmadja (Director of the People's Economy and its creator) as Chairman.<sup>63</sup>

The Jajasan Kredit's purpose was to help develop the people's (smallholder) economy by making credit available to small businessmen and cooperatives which could not otherwise obtain credit through existing banking institutions because of lack of proper commercial security. Although the foundation itself screened all its credit applications, it operated by channeling funds (which it had received from the Government) to the B.R.I. and B.N.I., which in turn on the basis of these "guarantees" made the necessary loans. Eventually funds were channeled through the Bank Industri Negara and private Indonesian banks as well.

Despite the foundation's complete name, the process of centralizing the source of Government credit assistance did not immediately occur since separate government departments still provided credit individually, with much duplication and overlapping of work resulting. Consequently, a new charter was decreed by the Minister of Economic Affairs on 4 June 1952 which limited participation by government departments to an advisory role and provided that the foundation would be financed by the Java Bank under Government guarantees. Since the money available to the foundation was not unlimited, it was decided to restrict its scope to providing credit for "productive" purposes. Consequently, it no longer considered applications from purely trading concerns.

---

<sup>63</sup>. Soeria Atmadja, "Jajasan Pemusatan Djaminan Kredit Rakjat", Batik (Djakarta), Aug. 1955, pp. 4-9; Java Bank Report, 1951-1952, p. 87.

At the same time the actual administration of credit guarantees was to be decentralized by setting up a Jajasan Kredit Daerah (Regional Credit Foundation) in certain provincial capitals.<sup>64</sup>

Since the Jajasan Kredit took over from government departments operations which fell within the scope of their welfare plans and officials of such departments served on its administrative boards, strictly commercial considerations were not always used in approving credits. Since credits also went only to clients who could not qualify for them from the regular banks, the rate of arrears was extremely high. Many of the borrowers considered such credits to be gifts. With its capital quickly dissipated, the foundation adopted much stricter measures of administration. In the meanwhile a commission set up by decree of the Minister of Economic Affairs on 6 March 1953 considered ways of reorganizing the foundation and its operation. Gradually, in line with the commission's findings, grew sentiment to changing the foundation into a credit guarantee or insurance body and to providing that the banks themselves screen applicants lacking sufficient security and grant loans from their own capital under guarantees from the foundation.<sup>65</sup>

---

<sup>64</sup>. Panggabean, *op.cit.*, pp. 67-72; Java Bank Report, 1952-1953, pp. 82-85; *Warta Ekonomi untuk Indonesia*, V (1952), p. 411. Two new organizations of smallholder farmers, Jajasan Tebu Rakjat (Jatra) for sugar cane, and Jajasan Perkebunan Republik Indonesia (Perrin) for tobacco were the largest borrowers.

<sup>65</sup>. Bank Indonesia Report, 1953-1954, pp. 72-73; Bank Indonesia Report 1955-1956, pp. 87-88. Early in 1956 the Jajasan Kredit was reorganized following the above principles and renamed Jajasan Lembaga Djaminan Kredit (L.D.K.--Credit Guarantee Institute).

Cf. *I.P.* 1954, pp. 1058-1059 for a breakdown of credits extended by the Jajasan Kredit between 1952 and 1954 by sector and by channeling bank.

### Private Indonesian Banks

At the time of the establishment of RIS, the four private Indonesian banks which had been set up in territory under Dutch military control continued operations without undue difficulty. The picture was different for those established on Republican territory, only the Bank Soerakarta emerging in sovereign Indonesia relatively unscathed.<sup>66</sup> All Republican banks, capitalized with Japanese or ORI rupiahs, had to reorganize their capital. Since the three Sumatran banking corporations and the B.T.C. with their several branches and unremunerated services to the government had suffered great losses during the revolution, their reorganizations were quite difficult.<sup>67</sup> The Bank Indonesia, which was reduced to its head office at Palembang, began reorganization in late 1950. Since its name had been chosen for Indonesia's new central bank, when the Palembang corporation completed its reorganization in 1952 with a loan from the Bank Industri Negara, its name was changed to N.V. Bank Ekonomi Indonesia.

---

66. Scheffer, op.cit., pp. 107-109.

67. Cf. Antara, 29 Aug. 1952; Report of Finance Committee of Parliament (read by Soendjoto), 26 May, I.P. 1952, pp. 501-504, concerning Bank Indonesia; and Yamin speech, 26 May, I.P. 1952, pp. 505-506, concerning Bank Nasional N.V. The Bank Nasional Indonesia N.V. of Surabaya, Indonesia's first national banking corporation, had its demise early in the Revolution.

Small private Indonesian banks soon began appearing during RIS and the Unitary Republic, but few showed appreciable progress. President Sjafruddin of the Java Bank, who considered the development of Indonesian private banks essential for the economic development of the country, repeatedly reminded the new bankers that developing a bank was a slow process of gaining the confidence of the customers, especially since Indonesians showed little inclination at that time to entrust their money to banks. It was necessary that the banks exercise initiative and attract private funds for working capital, he preached, rather than expect advances from the Government or the Central Bank (which many of the new bankers sought). Once such a bank was soundly organized with sufficient capital, he suggested, the Central Bank could assist it with rediscount facilities.<sup>68</sup>

Nevertheless, the new banks often relied heavily on non-private resources for their working capital. The N.V. Kalimantan Banking and Trading Corporation of Samarinda, the first bank set up during RIS, was once presented with a letter of commendation from the Residen of East Kalimantan. Yet for its working capital it depended largely on the B.N.I., which loaned it Rp.1,500,000 (thrice its own paid-up capital). It reported that if the Government would provide it with more funds, it could meet all the credit in the karesidenan.<sup>69</sup> In Jogjakarta, Rachmat MULJOMISENO, President of the defunct B.T.C., took his personnel and in 1951 set up a new bank, the Indonesian Banking Corporation Ltd., with himself as president. However, the bank's

---

<sup>68</sup> Java Bank Report, 1951-1952, p. 78; Java Bank Report, 1952-1953, p.78.

<sup>69</sup> Cf. I.A. Moeis speech, 21 May, I.P. 1952, pp. 485-486.

capital came largely from the Republic of Indonesia Pension Fund. Subsequently, under instructions from Finance Minister Sumitro the I.B.C. was provided with Rp. 35 million, and the Kalimantan with Rp. 5 million in assistance.<sup>70</sup>

By mid-1952 the number of private Indonesian banks carrying on business reached fifteen. Within the next twelve months, five out of seven new banking corporations were established by Indonesians. In subsequent years the rate of establishment increased, so that by the end of 1955, approximately seventy-five private Indonesian commercial banks were in existence.<sup>71</sup>

In mid-1953 a number of these "national" banks formed an association with the name Perhimpunan Bank-bank Nasional Indonesia. Muljomiseno became its chairman. One of the first resolutions passed by Perbana was that the Government transfer its deposits still in alien banks to national banks. Without reference to that resolution, certain cabinet ministers did undertake to do just that. A Perbana conference on 24 April 1954 called on the Government to pass laws to protect national banks, to strengthen their capital, to distribute the work of the Commercial Section of the Bank Indonesia among them, and to channel funds for its projects through them! It also urged that alien bank operations in Indonesia be restricted.<sup>72</sup>

Meanwhile at the outset of the Ali Sastroamidjojo administration, the new government indicated that it would give attention to national banks. While suggesting that their facilities should be expanded in order that the Govern-

---

<sup>70</sup>. Statement by Minister of Economic Affairs Iskaq, 20 Apr., I.P. 1954, p. 316. The N.V. Bank Dagang Nasional Indonesia of Medan received government assistance at that time of Rp. 3 million.

<sup>71</sup>. Java Bank Report, 1951-1952, p. 78; Bank Indonesia Report, 1955-1956, p. 82; a survey of bank charters by the writer.

<sup>72</sup>. Cf. Tjikwan speech, 6 Nov., I.P. 1953, p. 1049; Pedoman, 26 Apr. 1954; Bank Indonesia Report, 1955-1956, p. 83. Perbana, with 13 members in 1954 and 17 by 1955, also conducted banking courses for personnel of its member banks.



ment could better serve national enterprises, it felt that gradually such banks should amalgamate in order to conserve capital and personnel so that there might be several strong and sufficiently large national banks.<sup>73</sup>

What the burgeoning national banks lacked was a system of standards to guarantee their healthy development. Although the central bank since 1932 had supervised savings banks and obtained information on a voluntary basis from most commercial banks, it lacked effective supervision over them. As early as the Sukiman Cabinet a draft banking law had been shown the Finance Committee of Parliament. Two years later, when the Bank Indonesia act was under consideration, some members of Parliament, feeling that a general banking law first be considered, suggested that such a law should especially regulate alien banks in Indonesia. The Government replied that such a bill was in final draft and so could soon be presented. It urged however that the B.I. bill first be considered so that the Monetary Board would be created. It could then subsequently compel private banks to operate in line with the government's monetary policy.<sup>74</sup>

Finance Minister Sumitro on 2 April 1953 expanded on the general banking bill which he hoped to have before Parliament within six weeks. The bill, he explained, would authorize the Monetary Board or the Government to limit operations of "alien and other private banks" in metropolitan areas and to induce them to expand business in outlying regions. The proposed law would grant

---

<sup>73</sup>. Statements, 25 Aug., 2 Sept., I.P.1953, pp. 722, 779.

<sup>74</sup>. Indonesian Review, I (1951), p. 279; "Memori Djawaban Pemerintah", I.P. 1953, pp. 440-441.

authority for determining credit policy as well as categories of credit needed and groups to receive credit; it would even give authority for shifting credits "from one group in the community to another." The law would also specify a liquidity percentage to be maintained by private banks and contain provisions on setting up new banks, both by domestic groups and by foreign interests. Such regulations were necessary, continued Sumitro, to prevent any group wanting to speculate from setting up something and calling it a "bank", which would endanger the public's faith in existing bona fide banks.<sup>75</sup>

As already noted, the fall of the Wilopo Cabinet precluded an early consideration of the general banking bill. Finally, almost two years later, pending the statute (the acceptance of which seemed again a long way off), a Government Regulation was issued authorizing the Bank Indonesia to supervise credit affairs. The general purpose of the regulation was twofold: to promote a sound money and credit system in Indonesia, and to promote the development of a system of national banks. Effective 4 February 1955 no institution could be founded and call itself a commercial or savings bank without a license granted by the Ministry of Finance after having heard

the views of the Managing Board of the Bank Indonesia. To qualify for such a license a commercial bank had to have a

---

<sup>75</sup> Minister Sumitro statement, I.P. 1953, pp. 459-460. Sumitro disclosed that the Government had not allowed new foreign interests desiring to set up banks in Indonesia to do so until provisions for them to fulfill were contained in a statute.

Hutomo Supardan (P.K.I.) whose party in 1950 and 1951 had been calling for the nationalization of all banks, merely suggested that the basic banking law should set conditions to be met for establishing new private banks (owned by citizens or aliens), set conditions for private banks which existed before the transfer of sovereignty, specify field of operations for the respective banks according to their specialization, and determine the relations of all banks with the bankers' bank (which should have access to bank secrets). Speech, 7 Apr., I.P. 1953, p. 460. Under a different government a year later, however, a party comrade (Sakirman) was calling for the nationalization of banks of "large foreign capital". Speech, 20 Apr., I.P. 1954, p. 349.

paid-in capital of Rp. 2,500,000, and a savings bank, of Rp. 500,000; they also had to meet provisions set by the Monetary Board. Existing banks had to apply for a license within three months. Should banks (especially national banks) not qualify immediately, they might be given a provisional permit that would allow them up to two years to meet the conditions specified. The Bank Indonesia in its turn was authorized to collect a wide variety of data from the banks and to issue instructions which they had to follow. For failure to comply with the obligations specified by the regulation, the institution concerned, instead of being prosecuted, would be subjected to the sanction of publicity. The Bank Indonesia was authorized to publish in the official gazette any advice which had not been honored, and if the Minister of Finance revoked a bank license, his decision was also to be so published.<sup>76</sup>

#### Bank Umum Nasional

The great majority of the private "Indonesian" banks had unspectacular histories. Most of them found the trail of development a slow one filled with the risks inherent with new national companies which seldom had clients of means." Although political personalities supported certain banking corporations most of the banks could not be given a party label. Then on 24 November 1952, seven years after the chartering of the first Indonesian national bank which was to survive, a charter was granted to a national bank that was to stand out from the others!

The P.A. Bank Umum Nasional of Djakarta was the first bank of significance to be founded exclusively by a political party. Its President was Soewirjo, First Deputy General Chairman of the P.N.I.; its Vice President was Dr. Ong Eng Die; the Chairman of its Board of Directors was Mr. Iskag Tjokrohadisurjo,

---

<sup>76</sup>. "Peraturan Pemerintah No. 1/1955" and "Pendjelasan".

and the other four directors were P.N.I. members mostly prominent in business, namely, Dr. A.K. Gani, dr. Soeharto, Notohamiprodjo, and Mohamad Said. The bank's nominal capital was Rp. 2,500,000, of which one-fifth was paid in at its founding.<sup>77</sup>

The next year Iskaq and Ong resigned from their positions and sold their stock on appointment as Minister of Economic Affairs and Minister of Finance, respectively, in the Ali Sastroamidjojo Cabinet,<sup>78</sup> soon after which Soewirjo was appointed President of the Bank Industri Negara. Despite the loss of these key men as officers, the bank continued to thrive under President PARMIN Martokoesoemo (from the B.R.I.). In late 1953, Minister Iskaq after consultation with Minister Ong, ordered the Government's Jajasan Persediaan Bahan Perindustrian (J.P.B.P.--Industrial Material Supplies Fund), which had acquired sizeable profits from its monopoly on imports of cambrics and cloves for the batik and kretek cigarette industries, to deposit Rp. 6 million in the Bank Umum Nasional. Soon afterwards the Jajasan Administrasi dan Organisasi (successor organization to the A.I.O.) was instructed to deposit Rp. 4 million in the Bank Umum Nasional. Then on 2 March 1954 on instructions of Minister of Finance Ong Rp. 20 million of funds under the control of his ministry in the Bank Indonesia were deposited with the Bank Umum Nasional.<sup>79</sup>

---

<sup>77</sup>. See Charter 235/1953. Among the many other P.N.I. founders were Members of Parliament Drs. Yap Tjwan Bing, Dr. Ateng Kartanahardja, and Sarino Mangoenpranoto. The bank's official English equivalent (virtually never used in practice) was "National Universal Bank."

<sup>78</sup>. Suluh Indonesia (Djakarta), 9 Feb. 1954.

<sup>79</sup>. Statements by Minister Iskaq, 2 Dec., I.P. 1953, p. 1175, and 20 Apr., I.A. 1954, p. 316. The J.P.B.P. was sometimes referred to as the J.B.P. (Jajasan Bahan Perindustrian). See "Batik and Kretek", Chapter XXIV.

The apparent partiality of Minister Iskaq for one private bank over the many others which had been operating long before it was one of seven reasons cited by K.H. Tjikwan (Masjumi) when he proposed an interpellation of government economic measures on 20 October 1953.<sup>80</sup> J.B.A.F. Mayor Polak (P.S.I.), one of the signers of the Tjikwan Interpellation and Hadji Farid Alwi Isa (Masjumi) asked on what grounds Minister Iskaq had funds provided to the Bank Umum Nasional and subsequently to certain other banks. Mayor Polak suggested that if his measures were designed to help develop the banking system, such a task lay more in the jurisdiction of the Ministry of Finance or the Bank Indonesia.<sup>81</sup>

After the first financial assistance to the Bank Umum Nasional had brought political reactions, Minister Iskaq ordered the J.P.B.P. to deposit sums in certain other banks, namely Rp. 1,750,000 with the Bank Surakarta, Rp. 1,500,000 with the Bank Timur, and Rp. 1,000,000 with the Bank Perniagaan Indonesia. Iskaq was quick to point out in his reply to the interpellation that banks other than the Bank Umum Nasional had also received J.P.B.P. deposits. There was nothing illegal in these measures, he declared. Furthermore, the private banks paid the same 3 percent interest to the J.P.B.P. that the Bank Indonesia did.<sup>82</sup>

---

<sup>80</sup>. For other details of the Tjikwan Interpellation and Motion, see the following chapter. When the interpellation was drawn up only the J.P.B.P. contribution to the Bank Umum Nasional had occurred.

<sup>81</sup>. Speeches, 20 Nov., I.P. 1953, pp. 1117, 1124.

<sup>82</sup>. Iskaq statements, 18 Nov. and 2 Dec., I.P. 1953, pp. 1108, 1175. One of the founders of the Bank Timur had been Mr. R. Soegiarto, a P.N.I. member (in 1953 Deputy Treasurer General). The president of the Bank Perniagaan Indonesia, R. Kusmuljono, was also a P.N.I. member, although he declared his bank to be non-partisan. Pedoman, 20 and 30 Nov. 1953.



Tjikwan and his associates were still not satisfied with Minister Iskaq's manner of providing aid aiming at the development of national private banks. They consequently listed this as one of the five justifications for a motion of non-confidence in the Minister of Economic Affairs, which they submitted on 5 April 1954.<sup>83</sup> In explaining this point, Tjikwan referred to the additional sum which had been provided from the State's own funds. Minister Iskaq, noting that such aid had in fact been granted under the jurisdiction of the Minister of Finance, pointed out that the Rp. 20 million thus given to the Bank Umum Nasional was only one of four grants so made to private banks. He suggested that such Government deposits could hardly be considered as arbitrary since Rp. 43 million in similar aid had been provided under the past Minister of Finance (Sumitro) to three other banks.<sup>84</sup>

On 1 December 1954, the Bank Umum Nasional acquired another special status. On that date it became the first private Indonesian national bank

---

83. Speech, 7 Apr., I.P. 1954, pp. 276, 279. Hutomo Supardan expressed approval of Iskaq's depositing funds with national banks. I.P. 1954, p. 245.

84. Statement, 20 Apr., I.P. 1954, p. 316. Iskaq pointed out that on 18 Feb. 1954, the Government had deposited Rp. 2 million with the Bank Kese-djahteraan Pegawai, and subsequently an additional Rp. 5 million to the Bank Timur and Rp. 2 million more to the Bank Perniagaan Indonesia. The first named bank, established in 1950 to provide financial assistance to civil servants, was founded by Mas Soetardjo Kartohadikoesomo (of the Government party, PIR). By early 1953 it had four offices in Java. Panggabean, op.cit., p. 11.

to be designated as a foreign exchange bank. It was the only private Indonesian bank of its kind so honored during the period before the elections.<sup>85</sup>

### Stock Exchange

Shortly after the installation of the Sukiman Cabinet, Finance Minister Wibisono announced that the Government favored the early opening of a stock exchange in Djakarta.<sup>86</sup> Accordingly, by emergency law on 8 September 1951, the Minister of Finance was authorized to take steps to set up, to license, and to supervise a stock exchange. On 1 November Minister Wibisono decreed the establishment of the Perserikatan Perdagangan Uang dan Efek<sup>2</sup> (Money and Securities Trading Association) to make the necessary preparations for opening the exchange. Then in March 1952, the association's officers were selected, with R.M. Gondosuwirjo (of B.N.I.) as Chairman.

Finally, on 3 June 1952, the Stock Exchange (which had existed before the war) was officially reopened. Aliens who were experienced in trading securities were allowed to become members provided they agreed to train young Indonesians in the business. The new and growing role of Indonesians on the exchange was a significant step in the direction of Indonesianization. But whereas the exchange did a brisk business in government bonds, its attraction of new capital to national companies was virtually non-existent, partly because the

---

<sup>85</sup>. "LAAPLN A No. 60", 26 Nov. 1954. The Escomptobank, founded with Dutch capital during the Dutch period, was the first private bank domiciled in Indonesia to be designated a foreign exchange bank. Until 1954, the other six private banks with that status were all established abroad (two Dutch, two British, and two Chinese). In February 1955, the Great Eastern Banking Corporation of Djakarta (founded only a few years earlier) became the only bank domiciled in Indonesia and established by Chinese capital to acquire the status of foreign exchange bank.

<sup>86</sup>. Government statement, 7 June, R.P. 1951, pp. 4675-4676; Indonesian Review, I (1951), p. 279.

necessity of registering the shares of national companies reduced their negotiability and primarily because national entrepreneurs sought their capital via bank credits or loans. Consequently, most of the stocks on the exchange and most of their subscribers remained associated with the European community.<sup>87</sup>

### Insurance Companies

At the time of the establishment of RIS the Maskapai Asuransi Djiwa "Boemi-Poetrra 1912" of Jogjakarta was in its thirty-eighth year of operation in the field of life insurance. In the field of fire, marine, and casualty insurance, however, there were no companies operated by Indonesians. In comparison, aliens operated approximately 110 insurance companies in Indonesia. Then on 2 June 1950 the N.V. Maskapai Assuransi "Indonesia" was set up in Djakarta as the country's first "national" insurance company in the non-life fields. All issued shares save one were taken by the Bank Negara Indonesia, and Victor Bernhard TUMBELAKA, who formerly worked with a Dutch fire insurance company, became company president.<sup>88</sup>

The B.N.I. was able to channel much insurance business to "Indonesia". However, it was not long before other Indonesian insurance companies and new incorporated insurance agencies and reinsurance companies were being set up, frequently with Dutch technical assistance and Chinese capital. During the twelve-month period, roughly equivalent to the term of the Wilopo Cabinet, nine new insurance companies were incorporated in Indonesia, all save two

---

<sup>87</sup>. See Java Bank Report, 1952-1953, pp. 86-87; "Undang2 Darurat No. 13/1951", Warta Ekonomi untuk Indonesia, V (1952), pp. 202, 437; Bank Indonesia Report, 1955-1956, pp. 88-89.

<sup>88</sup>. See Charter 415/1950. Although the company's nominal capital was Rp. 2 million, only Rp. 220,000 was initially paid-in. Cf. Tumbelaka, "This Way, Please!", Indonesian Review, I (1951), pp. 296-298.

controlled by indigenous Indonesians.<sup>89</sup> One of these was N.V. Maskapai Assuransi "Murni", again with the B.N.I. as majority stockholder and Tumbelaka as President. Other Indonesian businessmen, including the Big Three (Dasaad, Laoh, and Sosrohadikoesoemo) helped set up other such companies, and one man, Benjamin Thomas Philip SIGAR, participated in an insurance agency, an insurance company, and a reinsurance company. Many of the Indonesian companies joined together in a Komite Maskapai<sup>2</sup> Asuransi Indonesia (Committee of Indonesian Insurance Companies). Then, following the advice given in May 1953 by the Ministry of Finance, several of the Committee's member companies formed a reinsurance concern, the P.T. Maskapai Reasuransi Indonesia, with Sigar as president.<sup>90</sup>

The burst of new Indonesian insurance companies (which did not slacken) was largely given impetus by government protection measures. By decree of the Foreign Exchange Institute on 12 September 1952, it was declared that foreign exchange for payments of premiums of marine insurance on imports would only be issued if foreign insurance rates were really more beneficial than domestic rates. The justification given for the measure was to conserve foreign exchange.<sup>91</sup> While Indonesian companies were set up to take advantage of the measure alien insurance companies operating in Indonesia were hit, for many of them were branches, subsidiaries, or sole agents for companies established abroad. However, there was still the possibility that foreign companies would

---

<sup>89</sup>. Survey of corporations made by the writer. Foreign insurance firms reportedly were requested to cede 10 percent of their business to a new company sponsored by the Government. Meek, The Government and Economic Development in Indonesia, 1950-1954, p. 204.

<sup>90</sup>. See company charters. Three of the stockholders of "Murni" were themselves direct or indirect subsidiaries of the B.N.I.--C.T.C. (trade), I.S. (industry), and "Djakarta Lloyd" (shipping). The specified purpose of "Murni" was the same as that of "Indonesia".

<sup>91</sup>. LAAPLN Circular C No 261, 12 Sept. 1952.

offer more favorable rates! This possibility ended, and Indonesian companies were given further protection, when effective 19 August 1954, it was declared that all transport insurance on imports had to be covered in Indonesia.<sup>92</sup>

### Company Tax

Of all the pieces of tax legislation, the one which from the outset most affected large corporations and subsequently was revised to discriminate in favor of "newcomers" (principally companies of Indonesians) over "older established companies (principally owned by aliens) was the padjak perseroan (company tax).

The company tax before the war had been a uniform ten percent of net profits. During the subsequent emergency periods, the Netherlands Indies regime had levied annually a surtax of 300 percent, which raised the effective tax rate to forty percent. Although tax measures had to be determined by statute, several days after the RIS Government began functioning it issued an emergency law continuing the surtax on the company tax at 300 percent.<sup>93</sup> A bill confirming this measure was then sent to the RIS Parliament. There it did not get beyond the section (bahagian) stage of discussion in the House of Representatives, where it elicited from several members such comments as the feeling that it was too great a burden for small companies and the suggestion that it be made progressive.<sup>94</sup>

---

92. LAAPIN Circular C No. 312, 19 Aug. 1954. Because of Indonesia's falling foreign exchange position, this measure too was meant as much to conserve exchange as to protect domestic companies.

93. "Undang2 Darurat No. 3/1950".

94. Some members suggested that the company tax not be collected from cooperatives lest the ideal of working to build up a national economy be killed (sic). I.F. 1950, p. 143.



Later in 1950, the Government set up a Tax Commission to review existing tax legislation and to recommend changes. Pending its report, the Government maintained the existing company surtax and issued another emergency law continuing it for 1951. Again the two emergency laws did not progress beyond the sections in Parliament, where a few members proposed that there be a differentiation on the tax on small and large companies and warned that the size of the surtax might injure newcomers. The consensus expressed on 16 December 1950 was unsympathetic to the second emergency law because members felt, inter alia, that it meant a continuation of the colonial administrative system.<sup>95</sup>

Late in 1951, Minister of Finance Wibisono had a new emergency law drafted which abandoned the past method of calculating surtaxes. In place of the old ten percent tax plus surtax, a new forty percent tax base was decreed. Since the State's deficit had been increasing and there was growing support for a progressive tax rate, the new emergency law limited the forty percent rate to profits under Rp. 500,000, and added  $2\frac{1}{2}$  percent on each profit increment of Rp. 500,000, to a maximum of  $52\frac{1}{2}$  percent on profits over Rp. 2,500,000. This new emergency law commenced in 1952.<sup>96</sup>

Meanwhile early in 1952, the sections of the Parliament again discussed the two previous emergency laws. In addition to repeating earlier comments, some members advocated making the tax progressive by raising the rate for large

---

95. "Undang2 Darurat No. 35/1950"; I.P. 1950-1951, p. 656.

The suggestions in section reports were listed anonymously, but sometimes the members repeated them in the plenary sessions.

96. "Undang2 Darurat No. 2/1952", and "Pendjelasan".

companies and lowering it for small ones (especially for corporations of Indonesian nationals "which were more cooperative in nature"). Some called for protecting the new national businesses, and differentiating between Indonesian companies, alien companies, and Indonesian fronts for alien companies. In reply to these and earlier comments, the Government disagreed that there should be discrimination between treatment of companies for tax purposes. It also felt that the tax did not injure newcomers, for those which suffered losses automatically were exempt from it.<sup>97</sup>

The repeated cabinet falls delayed plenary debates in Parliament on the company tax bills. The debate scheduled for 11 December 1952 had very few participants. Rangkojo Rasuna Said wanted the company tax revoked, terming it a creation of Dutch infiltrators in the Ministry of Finance and charging that its implementation would cause many small Indonesian companies harassment by tax officials and force them to close (because of the high rates), which, she alleged, was just what the "Big Five" were waiting for. Finance Minister Sumitro reminded her that the group she attacked would benefit most from revoking the measure. Peris Pardede (P.K.I.) declared that his party felt that national capital was still simply organized when compared with alien capital, which was a part of world monopoly capital, and that the Government was obliged under Article 38 of the Constitution as well as the 1945 independence struggle to end the monopoly control of the latter. Therefore, he proposed, national policy had to differentiate between large alien capital and

---

<sup>97</sup>. One member of Parliament declared that to avoid the heavy company tax burden Indonesian businessmen tended towards individual entrepreneurs, which in turn were weak in competing with foreign capital. I.P.1952, pp. 949-955.

On 15 May 1952, Saroso Harsono (P.R.N.) publicly called for taxing companies with alien capital at a higher rate than those with national capital. I.P. 1952, p. 367.

national capital through a heavier tax burden on the former and a lighter one on the latter. Minister Sumitro replied that the effect of the implementation of the existing tax system was not much different from what Pardede desired, for those hit hardest by the tax were large companies which were mostly financed with foreign capital. The Government felt, he continued, that should national capital threaten to attain a monopoly status it too might expect similar treatment. The tax emergency laws for 1950 and 1951 were then ratified.<sup>98</sup>

During 1952 the Indonesian Government took two steps to improve its assessment and collection of taxes from alien companies. By statute, effective 12 August, the company tax law was amended so that companies were required to keep their books in the Indonesian language and to use Latin letters and the usual (Arabic) numerals. This act was primarily aimed at Chinese companies. Four months later an emergency law was issued further amending the company tax law so that companies operating in Indonesia had to maintain accounts in Indonesia for such operations, and the accounts had to be kept in Indonesian currency. This act was aimed primarily at companies with headquarters in the Netherlands.<sup>99</sup>

#### Djaswadi Amendment

The Parliamentary sections did not get around to discussing the new company tax scale for 1952 until a fortnight before the year's end. Although three of the six sections announced majority approval for the bill to ratify

---

98. I.P. 1952, pp. 964-968; "Undang2 No. 23 and 24/1952". Pardede cited recent profits by several large Dutch companies in his speech (repeating virtually the same data Djoko Sudjono of SOBSI had used seven months before), but the Government noted that since the companies cited operated in several countries, it was difficult to determine the portion ascribable to operations in Indonesia.

99. "Undang2 No. 9/1952"; "Undang2 Darurat No. 11/1952". The latter law included the text of the earlier amendment and further authorized the Minister of Finance to grant specific exemptions from the requirement to use the Indonesian language.

the rates, in most of the sections were some members who recommended that the new tax progression be extended downward for profits under Rp. 500,000 in order to protect the newcomers. One member declared that the Government should balance its policy of accepting alien capital with protection for national capital. Someone proposed one or two years' exemption from taxes for national companies. One member suggested outright that alien capital be discriminated against," and another suggested that the maximum rate be increased to "sixty percent" since this increase would principally affect alien companies.<sup>100</sup>

The Government, declaring that it always tried to increase receipts without losing sight of equity or hampering economic development, rejected the suggestions for continuing the progressive rate below forty percent because of the disastrous effect it would have on badly needed tax revenue. The most equitable type of tax collection it said would be one calculated on the percentage of the profit based on the size of the capital. The Government did not favor it, however, because of the shortage of tax experts and because many national businesses with little capital needed an opportunity to increase their capital through high rates of profit. On the other hand since a huge corporation with a profit of only one percent of its capital could still be subject to the maximum tax rate, while a small company with a 400 percent profit might come under the minimum rate, the Government sought a middle course by having a progressive schedule with a small difference between the maximum and minimum percentages. Increasing that difference, it warned, would wipe out any desire for large-scale investment in the country, which the country badly needed. The Government, asserting that a policy of fiscal restrictions against alien capital in line with restrictions in commercial policy was contrary to international usage, noted that the existing law neither strengthened the position of alien capital nor weakened that of national capital.<sup>101</sup>

---

100. I.P. 1953, pp. 116-117.

101. Ibid., pp. 117-118.

The section reports had given notice that some members of Parliament did not approve all the features of the company tax rates set by the Government. Nevertheless, the Government, forecasting that total State revenue during 1953 would fall from the 1952 level, submitted a bill setting the same tax rates for 1953 as contained in its emergency law for 1952. Debate on the new bill and the bill to ratify the emergency law setting the 1952 rates opened on 2 February 1953!

Djaswadi Suprpto, speaking on behalf of the P.N.I. said that his faction felt compelled to accept the 1952 company tax bill as a fait accompli. Nevertheless, it considered the existing rates contrary to the party's views on the matter, for the P.N.I. desired that the Government emphatically protect the interests of national businessmen, who in general had little capital and experience and were weak in competition with giant capital in alien corporations. In answer to the Government's statement about international usage, Djaswadi declared that his party considered the Indonesian State still was adolescent and needed to seek a synthesis between international custom and national factors. The national government automatically had to give attention to national interests and should not be reluctant to carry out a policy of restriction and discrimination between national and alien capital. Accordingly, the P.N.I. could only approve the bill on the 1953 tax rates with an amendment which was intended to protect national businessmen with small capital, he said. The amendment proposed three tax levels on profits below Rp. 500,000.<sup>102</sup>

---

<sup>102</sup>. Djaswadi speech, I.P. 1953, p. 125. The motion would assess profits up to Rp. 100,000 at the rate of 25%, from Rp. 100,000 to Rp. 250,000 at 30%, and Rp. 250,000 to Rp. 500,000 at 35%.



Tjikwan (Masjumi) declared that despite faults in tax collection', he could approve both bills. Mr. Burhanuddin (non-party), however, took sharp exception to what he termed were desperate Government efforts to find more revenue while it was slow in reducing expenditures and was establishing more special corporations, although there were already hundreds in existence'. He also blamed the Government for giving licenses and credits not only to genuine national companies but also to their sometimes numerous subsidiaries. He consequently announced his support of the Djaswadi motion.<sup>103</sup>

Minister Sumitro protested that compared to rates in other countries, the minimum of 40 percent was very low. He also declared that the amendment discriminated against single entrepreneurships and partnerships, which had to pay taxes at rates higher than those proposed by Djaswadi, and that it might induce corporations to split up into sections in order to come under the lower rates. Still, Djaswadi pressed for discrimination in favor of national companies until they were able to compete with alien companies. Suggesting that alien companies were more skilled in handling their accounts and writing off sums in order to reduce their book profits, he added that it was not fair to put simple and honest Indonesian national businessmen on a par with alien companies. Should the forty percent tax minimum be maintained, national businessmen would be induced to copy aliens in juggling their books, he warned. Tjikwan, who felt that Government protection should best be channeled through commercial policies, wondered whether most of the profits under Rp. 500,000 were

---

<sup>103</sup>. Speeches I.P. 1953, p. 126. Burhanuddin cited a report of the Audit Board which dealt with government waste of funds.

really made by national companies, for he knew that since 1951 most national companies had suffered losses. Sumitro declared that it was not a question of protecting national businesses but one of whether it was proper for forty percent of net profits to be assessed for the state while protection for national companies was provided by other sectors of government policy.<sup>104</sup>

A vote was then taken on the Djaswadi amendment. Although the vote was 38 to 35 in favor of the amendment, the "pro" vote was 17 short of the number needed to carry, since only one-third of the active members had cast their ballots. Consequently, a second balloting was required. The session, however, went on to approve the bill ratifying the 1952 tax rate by acclamation.<sup>105</sup>

Two days later as a second vote on the Djaswadi amendment was being considered, former Minister Wibisono, who had been originally responsible for the new tax rates, took the floor to explain the views of the Masjumi in the matter. He declared that the Government had taken into consideration the status of the newcomers, all of whose profits were under Rp. 500,000, when it had drawn up the new tax schedule. Therefore, it had only raised the rates on profits over Rp. 500,000. He noted that the way the amendment was worded it unintentionally would benefit alien businesses since the companies with profits over Rp. 500,000--most of which were controlled by aliens--would pay lower taxes on those increments of their profits under Rp. 500,000. If the proponents of the amendment wanted to realize their goal, he advised them to formulate it so that only companies of Indonesian citizens be assessed taxes

---

<sup>104</sup>. I.P. 1953, pp. 127-129.

<sup>105</sup>. Ibid., p. 129; "Undang2 No. 5/1953".

according to their tariff. But such discrimination based on nationality he felt would lead to a further growth of the strawman system. Still, Wibisono questioned whether the protection sought by the amendment was urgent since the Government had provided protection in its commercial policy, since most such newcomer corporations consisted of only one or two persons, and since newcomers which had net losses did not have to pay any tax. He also suggested that many who felt the tax to be too heavy were too lazy to go to a tax consultant for advice.<sup>106</sup>

In reply to a request by Wibisono, Minister Sumitro reported that sixty percent of tax receipts came from companies with profits under Rp. 500,000. Of this group at most half were companies of citizens, covering both the indigenous and the non-indigenous. Despite this knowledge, Parliament went on to pass the Djaswadi amendment by a vote of 59 to 41, with the P.K.I., PIR, Nahdlatul Ulama, and the S.K.I. joining the P.N.I. in favor, and Masjumi, P.S.I., Parkindo, Katholik, and some Demokrate opposed. Then at the request of Sumitro it agreed to postpone consideration of the bill until the matter had been discussed by the Cabinet.<sup>107</sup>

---

<sup>106</sup>. Speech, 4 Feb. I.P. 1953, pp. 130-131.

The P.S.I. press criticized the support given the amendment by the P.N.I. (which called itself based on "marhaenism") and the P.K.I. (which called itself the defender of the oppressed classes), pointing out that the amendment by favoring a relatively few newcomer corporations in effect discriminated against the millions of single entrepreneurships, which in comparison were the real economically weak masses. Pedomani, 4 Feb. 1953.

<sup>107</sup>. Proceedings, 4 Feb. I.P. 1953, p. 131. The vote in favor of the amendment was four above the minimum necessary for passage.

Prime Minister Wilopo took the action by Parliament philosophically, yet many in his Government were in a quandary, for--as Wibisono warned--if its bill with the Djaswadi amendment were passed it would result in consequences quite different from what Djaswadi and his colleagues had intended. All corporations, not just weak national companies, would benefit from it. It would also mean a loss in state revenue of Rp. 100,000,000. Consequently, the Wilopo Cabinet after reconsidering the matter did not press for passage of the bill. This lack of action drew complaints from Djaswadi. However, the Ali Sastroamidjojo Cabinet, in which the P.N.I. was the principal party, after reviewing the matter withdrew the bill. Pending action on a new law, in which it was hoped that protection to economically weak companies could be provided through lowering their tax rates, the Minister of Finance decreed<sup>108</sup> that a company tax of forty percent would be collected.<sup>109</sup>

Finally a compromise solution was worked out whereby there would be two tax schedules. A general schedule retained the rates used in 1952. However, for corporations and silent partnerships set up after 1 January 1950 a special schedule was applicable to profits during the first five years of their existence. This schedule was the same as the other for profits over Rp. 500,000, but for profits less than that sum four lower rates were specified beginning with 25 percent for profits up to Rp. 100,000. Since the Government found it difficult to provide legally for "national enterprises which are weak", it found it more practical to consider the criterion of age of a company. The

---

<sup>108</sup> I.P. 1953, p. 1191; "Keputusan Menteri Keuangan No. 82065/I.N.", 11 May 1954, and "No. 226849/I.N.", 27 Oct. 1954.

new regulation also became an inducement for investing capital in new companies, which was considered important for economic development in Indonesia. Finally, on 24 November 1954, Parliament approved the compromise amendment to the company tax law which fixed permanent tax rates, thus ending the need for annual enactments.<sup>109</sup> Although the changes had been induced by efforts to protect national business, the "newcomers" which actually benefited from it of course also included some alien companies.<sup>110</sup>

During the half dozen years between the transfer of sovereignty and the general elections, the scope of Indonesian business activity in the field of finance gradually expanded. The first half of the period was marked by Indonesianization of the state banks, and the second half found new activity by private Indonesian banks. The scale of operations of such banks operated by indigenous citizens, however, remained below that both of the State banks

---

<sup>109</sup>. "Undang2 No. 36/1954". The new law added a tax level to those proposed by the Djaswadi amendment in order to make a smoother progression." Other new regulations prevented the new tax benefits from accruing to corporation subsidiaries set up possibly to take advantage of the low rates to newcomers.

There was virtually no debate over the new bill. Djaswadi for the P.N.I. and Hutomo Supardan for the P.K.I. announced their approval since the bill contained the spirit and intention of the Djaswadi Amendment. Wibisono for Masjumi announced his acceptance since the new bill deviated far from the original Djaswadi Amendment. I.P. 1954, pp. 1167-1172.

<sup>110</sup>. On 2 March 1954, the Government began imposing a surcharge of 66 2/3% on transfers abroad in payment for most invisibles--the T.P.T. This allegedly was to match the import surcharges--the T.P.T. Important exemptions, however, were extended for transfers of funds from alien employees working in companies in Indonesia and for transfers of income from industrial enterprises set up during 1954 or afterwards. Because of the low level of the foreign exchange reserves, there had up to then been limitations on the amount of profits which could be transferred abroad. With the new regulation, however, it was again possible to transfer all profits after taxes. "Undang2 Darurat No. 5/1954", "Peraturan Pemerintah No. 11/1954" and "No. 46/1954." Cf. I.P. 1954, pp. 812-816, 861 ff.



and the long-experienced branches of foreign banks, and only a few were able to compete with banks of resident Chinese. In the insurance sector, too, many Indonesian companies sprang up, receiving protection principally in the marine field.

Many Indonesian enterprises, however, carried accounts with alien banks or insurance companies. Consequently, the financial measure which had the most widespread effect on the growing Indonesian businesses was the compromise company tax law. However, unlike the protection extended by the Government in banking and to a lesser extent in insurance, it did not directly discriminate in favor of indigenous citizens. Although, like most "progressive" tax laws, it protected the "economically weak", it also favored the "newcomers" regardless of national origin--and as late as 1955 not a few of these were still resident Chinese aliens.

## Chapter XXIV: TRADE

The term "Indonesianization" used in an economic frame of reference usually evokes thoughts about the development of the importing trade, which has probably been analyzed as thoroughly by competent writers as any other sector in the entire economy.<sup>1</sup> Their treatment has been concerned primarily with the effect on the economy in general, and the foreign exchange position in particular, of government controls over importing and the use of foreign exchange. In view of its general scope, this present work eschews reviewing all the individual import control decrees and related measures of foreign exchange control which, at least indirectly, might be construed to have had some effect on Indonesianization, for which, indeed, a separate volume would be necessary. Rather, those measures—in other commercial sectors as well as importing—are surveyed, the principal purpose of which was to redistribute income in favor of (indigenous) Indonesian businessmen, which especially aroused reactions in the political arenas. Accordingly, new semi-private foreign trade monopolies are included in this review, but not most official or semi-official trading monopolies, which were intended primarily to maintain the smallholder farmer—the backbone of the old, indigenous sphere of

---

1. For a recent specialized study of Indonesianization in importing, see Nan Amstutz, Development of Indigenous Importers in Indonesia 1950-1955 (Ph.D. thesis, Fletcher School, in process). At the time of writing, the University of California—University of Indonesia Economic Project of the Institute for Economic and Social Research of Universitas Indonesia was undertaking a similar study.

the waning plural economy.<sup>2</sup>

### Benteng Importers

At the time of the establishment of RIS an estimated one hundred Indonesian importers (termed "newcomers" by the Dutch) were active, handling approximately ten percent of the import trade.<sup>3</sup> In the federal republic, foreign trade came under the jurisdiction of the RIS Ministry of Prosperity, whose head, Ir. Djuanda, had led the Republican delegation in the Financial and Economic Affairs Committee at the Round Table Conference. In that earlier position, he had been instrumental in drafting Article 11 of the Financial and Economic Agreement in which it was agreed that RIS had the right to make "such regulations as are necessary for safeguarding national interests or protecting economically weak groups." Consequently, in line with that clause Minister Djuanda in April 1950 announced that Indonesian importers would receive government protection "so that they would be enabled to compete with foreign importers".

Protection was to be provided by reserving certain categories of goods

---

2. E.g., Lembaga Urusan Kapok, Badan Urusan Tembakau, etc. On 17 April 1952 the Kapok Centrale was reactivated and two years later renamed the L.U.K. The Krosok Centrale was reactivated on 1 January 1955 and renamed the B.U.T., for instead of being financed solely by cesses on the export of leaf tobacco produced by the local population (thus "krosok"), the cesses were extended to cover all exports of tobacco including that produced on estates. Since the B.U.T. also promoted the "production of Virginia tobacco for domestic consumption, effective 1 June 1955, the larger cigarette producers (possessing machines with a capacity of at least 5 million per month) were also required to contribute. "Undang2 Darurat No. 12/1954" and "Undang2 Darurat No. 10/1955".

3. Amstutz, op.cit., ch. II. Much of the information in the following paragraphs, unless other sources are cited, may be attributed to Mrs. Amstutz's monograph.

(which became known as "benteng"<sup>4</sup> goods) solely for Indonesian importers, and by providing credits (which subsequently were channeled through the B.N.I.). To qualify for such protection, a trader had to be a "new Indonesian importer" and a legal entity such as a corporation, silent partnership, or partnership, and possess a minimum working capital of f.100,000, an office large enough for "several full-time employees", and officers with previous business experience. A further qualification was that at least seventy percent of the capital had to come from indigenous Indonesians (bangsa Indonesia asli), while aliens could possess at most thirty percent. Curiously, there was no reference, not even for minority participation, to non-indigenous Indonesians.

The qualifications prompted Siauw Giok Tjhan (Partai Sosialis and representative of the Chinese group) of the RIS Parliament to ask the Government what it meant by "indigenous", and to suggest that racial discrimination was contrary to the national ideal of every citizen of foreign descent of becoming a genuine Indonesian patriot and democrat as stipulated in the manifesto of 1 November 1945. He asserted that such discriminatory measures would hamper healthy cooperation between fellow citizens and lead to a system of fronts at a time when all the capital and energies of Indonesian citizens were needed for national economic reconstruction.<sup>5</sup> Thus Siauw began his endless campaign to prevent economic discrimination between Indonesian citizens—at least where those of Chinese descent were adversely involved—with a persistence of determination which was matched only by

---

4. Benteng: lit., a citadel or protected spot.

5. RIS Dewan Perwakilan Rakjat, Pertanyaan Anggota dan Jawaban Pemerintah, II, (Djakarta, 1951), pp. 102-103.

that of his campaign in favor of discrimination against aliens (while attempting to avoid linking Chinese with this"group).

In reply, Minister Djuanda gave"an elucidation of the Government's position concerning protection for indigenous Indonesians:

The requirement that 70 percent of the capital must be held by indigenous Indonesians is based on the Government's view that although it does not practice racial discrimination, it has full right to make regulations to protect economically weak groups (see Art. 11 of the Financial and Economic Agreement). As is known, indigenous Indonesian nationals as a group are included in the economically weak. Of course, a few indigenous Indonesians are economically strong, but most of them are economically weak. Nationals in this country who are not indigenous Indonesians form the economically strong group. Of course, in that group there are also economically weak persons, but these are only exceptions while most are in an economically strong position. By providing an opportunity for the capital of other than indigenous Indonesians to participate up to 30 percent in Indonesian importing companies, the Government feels that sufficient opportunity has been given for healthy cooperation between fellow citizens...

Thus Indonesian citizens of foreign descent were given notice that they were not to expect in this matter treatment more favorable than that given aliens.

Since the Natsir Cabinet in the Unitary Republic in general continued the RIS foreign trading policies, during the debates over its program, A.A. Achsien (Masjumi), one of the few businessmen in Parliament, pointed out the lack of consistency between the Government's warning against throwing out foreign capital and its subjecting Indonesian companies to scrutiny and rebuffing them if they did use foreign capital. Such actions by the authorities, he asserted, induced Indonesians to use foreign capital"while making it appear to be Indonesian. Achsien also charged Indonesians with often acting childish, for if they did not succeed"at something, they would blame

---

6. Statement in Parliament, 25 July 1950, Pertanyaan Anggota dan Jawaban Pemerintah, II, pp. 103-104.



foreigners, who allegedly exploited the economy. Since economic law did not consider nationality, he declared, those who were active, smart, honest, and diligent would succeed in their efforts, and if great profits were distributed among Indonesians without their having to work, when free competition returned, they would falter. Consequently, he advocated protection in the form of training for the day when Government protection was no longer needed.<sup>7</sup>

In reply the Government said that giving ample freedom to whoever was energetic, smart, and honest "ends with the suppression of the weak by the energetic, smart, and dishonest". It presumed that Achsien did not mean to urge the Government to create capitalists—even though they be Indonesian capitalists—with state money. It then declared:

...the Government does not object if an Indonesian organization or person receives credit assistance from a foreign person or organization, but it would object if Indonesians give or sell their names to alien enterprises.<sup>8</sup>

A few weeks later, however, Minister of Trade and Industry Sumitro, while describing new facilities to the "economically weak", declared that it was not the intention of the Government to enrich persons while they were sleeping.<sup>9</sup>

By the end of 1950, new Indonesian importers—who came to be known as "benteng importers" since "benteng goods" were reserved for them—numbered

---

7. Speech, 29 Sept., Risalah Perundingan 1950, pp. 896-897, 900. Achsien was joint manager of Perseroan Dagang "Waras" of Djakarta, a "benteng" company. He also cited occasions where "protected" national importers instead of being allowed to choose their commodities freely were often allocated by the Government goods which turned out to be unsaleable.

8. Government Reply, 11 October, R.P. 1950, pp. 1816-1817.

9. Ichtiisar Indonesia Sepekan, I (1950), 20.

250.<sup>10</sup> During 1951 limitations on the numbers to be recognized in each port were removed, and by April 1952—when the Wilopo Cabinet took office—the number of benteng importers had risen to 741. The increased activity by indigenous Indonesians during the Hatta (RIS), Natsir, and Sukiman administrations had been astronomical. Nevertheless, their number was still a fraction of that of other importers, namely 3119, and these too (the great majority of which were Chinese) displayed a sizeable gain over the total number of importers—2202—before the war.<sup>11</sup>

#### National Importers

Early in 1953 the granting of recognition of importers was suspended pending preparations for the re-registration of all importers.<sup>12</sup> Then on 30 May 1953 the Department of Trade announced that "Indonesian trading companies" were allowed two months to apply for recognition as importers. Among the requirements were that they be legal entities with charters (single entrepreneurships and foundations were excluded), "and" possess their own office space and three full-time employees. The leading officer or partner could not hold a similar position in another importing company. The financial requirements were raised from those of three years earlier. Paid-in capital of the company had to be at least Rp.250,000 or its wealth (kekayaan) had to be worth at least Rp. 1 million. All stock issued by the

---

10. Indonesian Review, I (1951), p. 36.

11. R.I.: Kotapradja Djakarta Raja, p. 347. Data on distribution of the new Indonesian importers are fragmentary. (Djakarta claimed seventy percent of all trading offices). North Sumatra reported 17 benteng importers at the end of 1950 and 58 a year later. R.I.: Propinsi Sumatera Utara, pp. 623-624. Sulawesi had 35 at the end of 1952. R.I.: Propinsi Sulawesi, p. 401.

12. Amstutz, op.cit., ch. II.

importing company had to be held by "Indonesian nationals" (bangsa Indonesia), and the company charter had to specify that such stock might not be sold to other nationals. Prospective importers also had to maintain current accounts with some bank, and their officers had to have some business experience.<sup>13</sup> Soon afterwards, many old importers and potential new importers amended their charters to meet the capital and stockholders' nationality requirements, and most of these specified that "all stockholders must be citizens of Indonesia."<sup>14</sup>

The Government's announcement had referred to Indonesian trading companies and ownership by Indonesian nationals. However, there was some ambiguity in the terms. Consequently, the signer of the announcement, SARDJU Ismunandar, Chief of the Department of Trade, sent Minister Sumanang a memo on 18 June 1953 asking for clarification of the terms, pointing out that a difference had always been made between indigenous citizens and those of foreign descent, who had been treated as alien importers. As a result of the announcement, however, many Indonesian importers of foreign descent were seeking recognition as national importers in order to take advantage of the privileges accruing from such recognition.<sup>15</sup>

The memo brought a reaction from Mr. Tan Po Goan (P.S.I. and representing the Chinese minority), charging that the discrimination against non-indigenous Indonesian citizens practiced by R. S. Minister of Prosperity

---

13. I.P. 1954, p. 322.

14. Survey of charters by the writer.

15. Amstutz, op.cit.

Djuanda was still going on.<sup>16</sup> However, Prime Minister Ali, who had taken office shortly after the deadline for applying for the new recognition, denied that the Government discriminated against non-indigenous citizens, and agreed that there was only one (kind of) citizen. Nevertheless, he explained, in that period the Government felt that it was proper to have separate treatment in order that a harmonious commercial middle class could be achieved.<sup>17</sup>

During its first months, the Ali Sastroamidjojo Government interpreted the nationality stipulation for recognition as national importers to mean that at least one half of the capital had to be provided by indigenous Indonesians and the balance by Indonesian citizens of foreign descent. Then after more complaints by Chinese peranakan citizens of Indonesia, including Siauw and Mr. Tjoeng Tin Jan (Partai Katholik), Minister Iskaq on 2 December 1953 gave assurances that such discrimination would stop," and businesses owned entirely by Indonesian citizens regardless of national origins would be treated as national companies. He added the reminder, however, that the Government still intended to provide a proper place for the group formerly called (by the Dutch) "Inlanders" (natives), so that a harmonious commercial middle class" would be realized.<sup>18</sup>

There remained, however, the problem of determining whether applicants of Chinese (and other foreign) descent for recognition as national importers were actually citizens of Indonesia or aliens. Consequently, in January 1954,

---

16. Speech, 29 August, I.P. 1953, pp. 751-752. Siauw, too, complained of the discrimination. Speech, 31 August, I.P. 1953, p. 765.

17. Government Reply, 2 September, I.P. 1953, p. 778.

18. I.P. 1953, pp. 1172-1173.

the Department of Trade announced that national importers had to have their recognition renewed, and stockholders or business partners, if necessary, had to prove their Indonesian citizenship. This meant that peranakan citizens had to display their citizenship certificates. Such measures, including the stipulation that "for the records" the percentage of shares owned by indigenous citizens had to be noted, aroused resentment among such citizens. Moreover, although officially discrimination against non-indigenous citizens in importing companies had ended, in practice there remained signs that such discrimination had not disappeared.<sup>19</sup> On the other hand, the new measures represented an important step in confirming further discrimination against aliens!

So that all Indonesian importers would conform to a uniform standard, in March 1954, the Department of Trade announced that benteng importers previously recognized also had to re-register and meet the requirements for national importers which went into effect in June 1953 and January 1954.<sup>20</sup>

The new requirements for qualifying as a national importer brought protests from many indigenous Indonesian businessmen who had until then qualified as benteng importers. Two members of the Economic Section of Parliament, who had been presidents of benteng companies, added their voices to the complaints, despite the fact that they were members of Government parties.

---

19. Amstutz, op.cit.

The new recognition code numbers gave a rough estimate of the anticipated ratio of importers by nationality. For Indonesian ("national") companies, 4500 numbers were reserved; for Chinese, 1800; for "Eastern Aliens" (Indian and Arab), 900; and for "Europeans" (primarily Dutch), 800. Other numbers were allocated for companies which operated principally outside of the importing sector but which carried on their own importing. Kantor Pusat Urusan Impor Circular P. No. 6, 27 January 1954.

20. Amstutz, op.cit.



Saroso Harsono (P.R.N.) of N.V. Sedjahtera Trading Company of Semarang protested that although the requirement of a capital of Rp.250,000 might be fair for companies subsequently established, the increased capitalization requirement worked a hardship on national importing companies already established.<sup>21</sup> A number of benteng companies had experienced healthy cooperation between Indonesian citizens and aliens. The requirement that old benteng companies (a large number of which had been set up with the assistance of alien capital) rid themselves of any alien capital was thus considered grossly unjust by A. A. Achsien, who in addition to his various business interests was also Chairman of the Nahdlatul Ulama Economic Section. Although he too could accept such stipulations for the establishment of completely new importing companies, he doubted whether the Government had the authority to force an alien who was formerly permitted to be a shareholder to sell his stock in a concern that had been in existence many years, or to compel a benteng company to modify its charter.<sup>22</sup>

In reply, Minister Iskaq agreed that the Government had no authority to compel a company to change its charter or to force alien stockholders to sell out. Of course, he observed, lack of compliance would only mean that the "facilities" which the Government extended to national importers would not be given to those who did not comply.<sup>23</sup>

The screening in mid-1953 had reportedly resulted in halving the number

---

21. Speech, 20 April, I.P. 1954, pp. 354-355. He also objected to the recent prohibition against the practice of "accommodation" (in which new importers used the services of older experienced companies).

22. Speech, 20 April, I.P. 1954, pp. 350-352.

23. Statements, 20 and 29 April, I.P. 1954, pp. 356, 410.

of recognized importers from around 7000 to 3500. Out of the latter number, Iskaq reported that in September 1953 at the beginning of the Ali Sastroami-djojo administration, approximately 1500 national importing companies were accredited.<sup>24</sup> During Iskaq's incumbency as Minister of Economic Affairs, while some indigenous Indonesian merchants let their importer-recognition lapse, many others flocked to set up importing companies, and many citizens of Chinese descent were able to secure "national" recognition. As a result, by the time of Iskaq's resignation in November 1954, the number of national importers had risen sharply to a reported 2211.<sup>25</sup>

From the time that new Indonesian importers had first begun to receive protection by the Indonesian Government, some of them lacking capital or business experience of their own participated in certain business practices which, when it did not violate the letter of the law, did affront certain ethical standards. There were, of course, a number of new importing companies which represented a bonafide cooperation between indigenous Indonesian manpower and alien capital. On the other hand, there appeared to be far more concerns which could hardly qualify as "bonafide". Prospective indigenous importers and Chinese businessmen set up "Ali-Baba" concerns

---

24. Iskaq statement, 18 November, I.P. 1953, p. 1107; cf. Antara, 7 August 1953. After the screening, Surabaja reported 60 "Indonesian" importers and 200 alien importers, which figures were also half of those reported respectively before the screening.

Although it is possible that the number of recognized importers was arbitrarily halved, it is not clear how the halving was carried down to the division between Indonesian and alien importers, in view of the fact that many former "alien" importers were now combined with benteng importers to form the "national" group.

25. Antara, 2 November 1954; Amstutz, op.cit. A variety of estimates were issued during this period, 4300 being one of the most common. The variation might have been caused by ambiguity in their use of such terms as "national importers", "Indonesian importers", and "importers in Indonesia."

(from "Ali", the indigenous businessman, and "Baba", the Chinese peranakan). Shotgun weddings between the Indonesian newcomer (often a "briefcase importer") and the old alien importing companies took place with increasing regularity under various forms such as fronts and strawmen, license-selling and accommodations. Sometimes the Government acquiesced in such practices; at other times, it frowned on them. Under some circumstances it was often difficult to draw the line between healthy cooperation and disapproved practices. Such malpractices had existed ever since 1950. However, their festering reached its greatest proportions during the Iskaq incumbency.<sup>26</sup>

The head of the Central Office of Imports early in 1955 estimated that there were only fifty bonafide national importing firms and another 200 concerns which were in the borderline area. The unsalutary effect of the importing structure on the country's mounting inflation had reached such proportions that on 6 December 1954, within a month after taking over the Ministry of Economic Affairs, Roosseno ordered a new screening (of the bank accounts) of importers, in order to reduce the number of national importers by half. He declared, in fact, that sixty to seventy importers would be really sufficient for Indonesia. Coincidentally, shortly after the new screening had begun, Roosseno announced that only ten percent of 600 importers already screened were considered bonafide.<sup>27</sup>

The screening begun in January 1955 was a time-consuming process and was not scheduled to be completed until September. However, by mid-August, the Boerhanoedin Harahap Cabinet had been installed with two planks of its

---

26. Cf. Amstutz, op.cit., ch. II and VI ("Abuses by National Importers")

27. Amstutz, op.cit., ch. II.

platform promising efforts to eradicate factors creating inflation and wiping out corruption, two phenomena closely tied to the former importing structure. Foreign trade procedure was devised by the Monetary Board consisting of Minister of Finance Sumitro, Minister of Economic Affairs Kasimo, and Bank Indonesia Governor Sjafruddin. On 1 September 1955, the Government announced new measures aimed at "natural screening" of national importers by requiring them to deposit before hand the rupiah equivalent of the landed import price (plus the import surcharge) when applying for import licenses. Among national importers so qualifying, foreign exchange permits would be issued to those offering the most favorable bids (the "free fight" system). Many artificial means of restraining trade, including the government foundation with monopoly controls over certain imports (the successor of the J.P.B.P.), were abolished. In the simplified trading atmosphere, while the Government continued to provide facilities to national importers, it was hoped that those of sub-marginal qualifications would be weeded out as banks would choose only to finance bonafide traders and as free competition free of political or personal favoritism was allowed among national importers.<sup>28</sup>

While on the one hand a healthy national group of importers was being cultivated, on the other hand most stringent measures were applied to alien importers. In order to continue to import, they were required to maintain a deposit of Rp.5 million as a guarantee for prepayments. This financial burden was so great that only two percent of the 1613 alien importers previously recognized, or merely thirty-six, were able to qualify two months

---

28. Keterangan Pemerintah tentang Program Kabinet, (Djakarta: Kementerian Penerangan, 7 Oct. 1955), pp. 20-22. Since 12 July 1954, a 100% prepayment for an import license had been required for most imports.

after the new regulations went into effect.<sup>29</sup> The major Dutch and Chinese importing concerns were virtually unaffected, but the hundreds of medium and small alien importers (principally Chinese)—those who had formerly competed most directly with national importers—however, were virtually removed from the scene by this process, thus providing new freedom of action to the national companies. Nevertheless, many "national" companies—those predominantly indigenous Indonesian—were reluctant to compete with many other national companies—those predominantly controlled by Chinese peranakans. Consequently, the period under review did not close with the beginning of an era of good feeling free from partisan strife. Indigenous Indonesian businessmen more and more began clamoring for discrimination against their non-indigenous brother nationals.<sup>30</sup>

#### P. 41 and the Distribution of Exchange

From the time of the transfer of sovereignty, there had been a conflict between Government measures to increase the share of Indonesian businessmen in the import trade on the one hand and the capacity of Indonesian importers—regardless of their numbers—to handle new imports in general and the more complex and technical commodities in particular. Where the capacity involved financial resources, as it often did, Government fiscal measures to

---

29. Djawaban Pemerintah Boerhanoedin Harahap..., (14 Nov. 1955), p. 51. By the end of January 1956, when all alien firms which had not made their deposit lost their recognition, out of 1696 alien importing companies only 46 had qualified by paying their deposit. Amstutz, op.cit.

Two of the 44 alien importers recognized at the end of 1955 were Chinese; 42 were "European". de Neuman, "On the promotion of indigenous Indonesian industries...", Ekonomi dan Keuangan Indonesia, IX (1956), p. 701.

30. Amstutz, op.cit. Also at the end of January 1946, the deposits for Indonesian national importers were set at Rp.500,000. Many loopholes, however, were provided.



conserve foreign exchange or to increase revenues (including prepayment requirements for import permits) often appeared to limit that capacity and consequently hamper increased importing by Indonesian businessmen!

Consequently, each new measure from the revaluation of the currency and introduction of foreign exchange certificates in March 1950 on, evoked protests from the growing vested interest of Indonesian importers and from politicians speaking in their behalf, who usually charged that only alien companies could overcome the increased financial burdens! The Government in reply would enumerate other measures it practiced to protect the Indonesian importers, including channeling Government orders through them.<sup>31</sup>

Not until 1953, however, did such Government measures reach the stage of provoking a motion in Parliament. The Government's practice of decreeing major tax measures in the importing field without following the constitutional procedure of bringing them into effect by statute had become increasingly irksome to members of Parliament! After new import surcharges were imposed in January 1953 by the Supervisory Council of the Foreign Exchange Institute (headed by Ir. Djuanda), most of the Economic Committee joined together in submitting on 10 April a motion to require the Government to submit a bill to replace the new import regulations. The motion was sponsored by the committee's new chairman, Kiahi Hadji Tjikwan (Masjumi, himself a businessman), who was to attain in the pre-election period a stature as a committee chairman equalled only by that of Asrarudin of the Communications Committee. However, before the Tjikwan motion came up for debate, Mohamad SADDAK (PIR) on 18 May introduced a more stringent one that would call on the Government

---

31. Cf., Pertanyaan Anggota dan Jawaban Pemerintah, II, 79-81; R.P. 1952, 368-424; I.P. 1952, 934-939.

to "freeze" its import surcharge regulations and to provide as much moral and material aid as possible to national businessmen, thereby enabling them to improve their status and to contribute to the development of the national economy. Debate opened on the twentieth and continued a week later. However, when the Saddak motion came to a vote, after Minister Sumitro had declared that the Government viewed it as one of no confidence in its policy, it failed 27 to 58. The less stringent Tjikwan motion carried 97 to 0.<sup>32</sup> Following the success in this motion Tjikwan would shortly tackle bigger game.

During the pro-federal period, the A.I.O. reportedly reserved thirty percent of the import exchange for newcomers, who primarily because of a lack of capital, were at times able to utilize only seven percent.<sup>33</sup> During 1952, the share of Indonesian importers rose to 42.7 percent. During the first four months of 1953, the percentage dipped to 37.9, but during the following four months, it returned to its earlier level.<sup>34</sup>

Minister of Economic Affairs Iskaq was not satisfied with the continued minority share of foreign exchange for imports obtained by national importers. He accordingly determined to take steps to increase that share significantly. As a first step he decreed that fifteen categories of imports

---

32. I.P. 1953, pp. 525, 531-532, 602-606.

33. Cf. Iwa Kusumasumantri speech, 1 June, R.P. 1951, pp. 4439-4441. At that time Iwa called for an end to a commission which administered restitution of duties paid on goods imported for rehabilitating alien companies, even though the commission provided that Indonesian companies might handle thirty percent of such imports.

34. Iskaq statement, 18 Nov., I.P. 1953, p. 1102; Amstutz, op.cit., ch. III. The alien share of imports in 1952 (57.3%) consisted of 30.7% to Europeans, 24.6% to Chinese, and 2.2% to other Asians. The Chinese portion rose to 29.2% during the first part of 1953.

would be reserved for national importers". This decision was announced in Circular P. 41 of the Central Office of Imports on 8 September 1953.<sup>35</sup>

This important decision, involving as it did distribution of foreign exchange, had been taken without clearance from the Monetary Board. Accordingly, Bank Indonesia Governor Sjafruddin, considering that reserving a large portion of exchange for national importers beyond their capacity to handle it properly would only stimulate the growth of briefcase importers who existed by selling their licenses, obtained Minister Ong's consent for the Monetary Board to rule that the circular be revoked. Thus, on 12 September, Minister Iskaq announced its withdrawal, while declaring that such action did not mean a reduction of the policy of developing national importers.<sup>36</sup>

There ensued a public debate". IKINI chairman Tabrani objected to the withdrawal of the circular, asserting his association's feeling that all imports should be channeled through national importers. DEIP declared that the import sector should be Indonesianized regardless of transitional difficulties. Gapindo chairman Kosasih rejected information from Bank Indonesia officials (headed by Sjafruddin) supporting the withdrawal of the circular".<sup>37</sup>

---

35. The listed categories, including such groups as all textiles, all small wares, flour, cement, glass, stationery, tires, etc", comprised about forty-five percent of all imports.

36. "Kementerian Perekonomian, Bagian Pewartaan, Berita No. P/145". Iskaq subsequently removed Mr. Arifin Harahap, Head of the Central Office of Imports and one of the key officials in his ministry, allegedly for publishing his decision without authorization.

37. Amstutz, op.cit.

Chairman Tjikwan of the Parliament Economic Committee sought and received explanations from Minister Iskaq.<sup>a</sup> However, since the information was confidential and since other economic measures of questionable wisdom had come to light, on 20 October he submitted a resolution for an interpellation on the Government's economic policy, listing the "P. 41 affair" as the first justification and declaring that such measures were not based on any plan for attaining a healthy national economic policy.<sup>38</sup>

On 10 September, before receiving a vote of confidence, Prime Minister Ali Sastroamidjojo had declared that his Government aimed to change the existing "colonial economy" into a genuine national economy.<sup>39</sup> Minister Iskaq during the interpellation, declared that to implement this policy in the import sector, it had been decided to channel as many imports as possible via national importers, by (a) reserving certain categories of imports for them, and (b) giving priority to their applications concerning other commodities. He emphasized that the authority for distributing foreign exchange lay in his hands. That the public withdrawal of P. 41 had no effect on this policy, he then proved with figures showing that since the beginning of September, national importers had received 76.2 percent of the import exchange.<sup>40</sup>

---

38. Statement, 6 Nov., I.P. 1953, pp. 1035, 1046-1047. Tjikwan charged that various economic measures had caused unrest among national businessmen. During the last quarter of 1953 Teuku Hasan was reelected chairman of the Economic Committee, but from January 1954 onward, Tjikwan held the coveted post.

39. Government statement, I.P. 1953, p. 831.

40. Minister Iskaq's statement, 18 Nov., I.P. 1953, p. 1103. See also "Tjikwan Interpellation", infra.

Debate on the subject of P. 41 ended (in so far as it affected the size of the share of foreign exchange to be allocated to national importers). Still there was general recognition that the portion given national importers was often more than they could themselves handle, as a result of which they and alien companies were forced to resort to illegitimate practices". On 20 April 1954, Ir. Sakirman (P.K.I.) made some proposals to solve this quandary. If the Government really insisted on following existing foreign exchange regulations, he suggested, eighty percent of the import exchange ought to be allocated to national importers. Then, while urging that import exchange be distributed on a just and honest basis without differentiating between party or ideology, he called for distribution to "progressive and trustworthy businessmen" and action to prevent "large alien capital and its accomplices" from thwarting the Government's measures. However, since these measures would still allow alien capital to control twenty percent of the imports while most of Indonesia's exports were in the hands of "export monopoly capital", Sakirman preferred measures which would reduce alien participation in both the import and export sectors to nil. Thus he called on the Government to set up its own import and export enterprises and also help national businessmen to set them up. On the other hand, he recommended that existing importing and exporting companies of alien capital be allowed three to five years to continue operating, under restrictions, after which the Government would nationalize them.<sup>41</sup>

There were no further debates on the percentage of imports to be

---

41. I.P. 1954, pp. 348-349. Iskaq promised that the Government would give its full attention to these proposals. Statement, 29 Apr., I.P. 1954, p. 410.



reserved for national importers, for Iskaq's New Deal in distributing the large majority to national importers was generally accepted, if for no other reason than that of fait accompli.<sup>42</sup>

#### Gapindo

During the debates over the program of the Natsir Cabinet, Mr. Harmani (PIR) urged the Government to stimulate imports and exports by Indonesians and to protect Indonesian importers in the way the Dutch administration did for Dutch importers in Indonesia after World War II. Citing the numerous official and unofficial organizations which had been set up to support Dutch importers in previous years, he proposed that an Indonesian organization be set up (or Gindo reformed), which would be kept free from the tutelage of the old, large importers and be given a sufficient share of the imports so that it might open branches throughout the country as well as purchasing offices abroad.<sup>43</sup>

Harmani's hope for an Indonesian importers organization was anticipated by events. Both Gindo with its 105 member concerns and Perssi with its number reduced to fifteen in the old Republican areas had been operating in a fitful manner on into 1950. Then, after preparatory arrangements in August under the auspices of the Department of Organizations Development, on 18 September 1950 the two bodies merged and formed the Gabungan Pembelian Importir Indonesia (Gapindo—Indonesian Importers Purchasing Association).

---

<sup>42</sup>. The Harahap Cabinet subsequently declared that its policy was to allocate over 80% of foreign exchange to national importers. Amstutz, op.cit.

<sup>43</sup>. Speech, 29 Sept., R.P. 1950, pp. 782, 785-786.

Gapindo was organized as a cooperative association with membership open only to importers who were Indonesian nationals (bangsa Indonesia) who met the requirements set by the Government. Its declared purpose was to promote the joint interest and knowledge of its members in domestic and foreign trade. Mr. R. Mohammad KOSASIH Poerwanegara was chosen chairman of its managing board.<sup>44</sup>

Since the B.N.I., the government agency for providing credits to Indonesian importers, did not have the staff to process adequately the large flow of credit applications, it arranged originally for Gindo and then for Gapindo to channel most of the credit available from the bank on to the association's members. Since most new Indonesian traders had no relations abroad, Gapindo set up three purchasing offices abroad to facilitate the purchases of goods to be imported into Indonesia by its members.

Because of its superior organization, Gapindo itself also undertook importing, usually on the basis of "accommodating" other Indonesian importers, which turned over to it their import licenses. Such a procedure was approved by many persons, including Mr. Iwa, who recommended that the former practice of joint purchases abroad carried out by the old A.I.O. be copied in order to assist national Indonesian companies with weak capital and organization.<sup>45</sup> Others deplored it, however, like Goesti Djohan (Masjumi), who found it contrary to Minister Sumitro's declaration against enriching the sleeping man

---

44. See Charter 174/1951. Kosasih had been R.M. Minister of Social Affairs. The other two managers were W.S.T. Pondaag from the "benteng" Firma Djasuka and P.J. Barbiers, a former Gindo manager.

45. Questions, 4 Nov., I.P. 1950, pp. 532-533.

and injurious to those companies which had developed their own relations abroad. He also objected to the near monopoly position of Gapindo in channeling credits for benteng importers as a result of which very few non-members had access to the funds provided by the Government.<sup>46</sup> On the other hand, a number of Indonesian importers found alien companies more reliable as accommodation partners than Gapindo.<sup>47</sup>

By the end of 1951, outstanding B.N.I. credits to Gapindo and its members amounted to Rp.117 million, of which Rp.102 million was charged to Gapindo's own account. In view of "the inexperience in importing of many of the Gapindo members and"the fact that credits had been provided them often without adherence to customary strict terms for credit"extension, most Gapindo members subsequently defaulted on their payments to the bank directly or via Gapindo. The careless way in which the Government had allowed credits to these and other benteng importers became repeatedly "a point of censure by Mr. Burhanuddin (non-party), who had earlier been Chief of the Department"of Trade.<sup>48</sup> Since Gapindo's own efforts to get its members to clear up their arrearages met with little success, early in 1953 the Ministry of Economic Affairs after consultation with the Ministry"of Finance decided to take direct action against the Gapindo members, numbering 141, still in arrears. In March reminders were sent them of their debts, and they were invited to sign agreements for paying off the debts"in installments. Then on 1 July those

---

<sup>46</sup>. Questions, 10 Jan., Ichdisar Parlemen, 1951, p. 703.

<sup>47</sup>. Cf. RI: Propinsi Sumatera Utara, p. 625.

<sup>48</sup>. Cf. I.P. 1952, p. 259; I.P. 1953, p. 126.

concerns which had ignored the reminders entirely or which did not fulfill their debt repayment agreements were refused further issuance of foreign exchange. Those which continued to refuse to make any effort to settle their accounts were taken to court.<sup>49</sup>

Such stringent measures were not well received by those affected. K.H. Tjikwan, Chairman of the Parliament's Economic Committee, questioned the wisdom of the sanction of withholding foreign exchange, since he felt that such action would prevent a newcomer company from continuing operations and so obtaining the means for eventually settling its debt. He consequently added the subject to the list of justifications for his proposed interpellation of Government economic matters which was submitted on 20 October 1953. In explaining the interpellation, he suggested that there might be other ways of bringing about a solution of debts instead of withholding foreign exchange, a measure which he thought could stunt the growth of newcomers!<sup>50</sup> The subject, however, turned out to be probably the least controversial of those introduced by the Tjikwan Interpellation, for after Minister Iskaq had explained the series of attempts to settle the debts of the Gapindo members—~~withholding foreign exchange only as a last resort against those not wishing to cooperate—and~~ published a list of the "Forty-seven companies still

---

49. Statements by Minister Iskaq, 18 Nov. and 2 Dec., I.P. 1953, pp. 1107-1108, 1175. The debts of Gapindo members directly to the B.N.I. had been reduced from Rp.14.5 million at the end of 1951 to Rp.9.9 million when the Government began to intercede directly.

50. Tjikwan speech, 6 Nov., I.P. 1953, pp. 1035, 1049. See also "Tjikwan Interpellation", infra.

in arrears,<sup>51</sup> the matter was dropped.

During the above period Gapindo was able to settle over half of its huge debt to the Government (via the B.N.I.).<sup>a</sup> The unfavorable publicity which it had received was so great, however, that President Kosasih resigned on 7 November. He was replaced, on 23 February 1954, by Mr. Assaat (non-party member of Parliament), who eight and a half years before had been a promoter of the P.T.E.

#### The Moscow Economic Conference and BAKUNA

In the importing fields as in other sectors of business where indigenous Indonesians were becoming active, numerous trade associations were set up. Most were nonpolitical and arose on a geographical basis with their influence limited principally to their own port or provincial area, although Gapindo—the largest such organization (DEIP being an economic association covering a number of economic sectors)—had acquired a nation-wide scope.

During 1952, however, the world of Indonesian national business belatedly experienced a phenomenon which in the labor and farmers' sectors had taken place in the early part of the Revolution, namely the rise of a central organizations oriented to certain political movements. But the process was unlike that in the other sectors where rival political movements, having struggled for control of the one-time relatively unified labor and farmers organizations on Java and Sumatra, set up separate organizations

---

<sup>51</sup>. Iskaga statements, op.cit. Four of the 47 companies with arrears totaling Rp.7.1 million at the end of November had debts of over half a million rupiahs apiece (and two of these were from Bandjarmasin). Significantly, only two of the 21 companies with debts exceeding Rp.100,000 were from Djakarta (one of which was the company of Gapindo vice president Pondaag).<sup>a</sup> Seven were from Bandjarmasin, four from Palembang, and two from Medan.

Djaswadi Suprpto observed that 95% of the names on the list were not P.N.I. members. I.P. 1953, p. 1185.



of their own. For DEIP (the principal central business organization), unlike the B.B.I. and subsequently SOBSI or the B.T.I., remained relatively nonpolitical, and the new business associations set up in 1952—while rivalling Gapindo—were not completely antagonistic to it.

The two new organizations were founded at a time of a new development in domestic politics, namely the shifting of general election arrangements into low gear after over two years of promises and cursory preparations. The Wilopo Cabinet succeeded in drafting and approving a general elections bill, which was introduced into Parliament in November 1952. On the other hand, the establishment of one of the business organizations, besides having a domestic political aspect, was not unrelated to developments on the international political scene as well.

Early in April 1952, an "International Economic Conference" was held in Moscow, originally under the auspices of the "World Peace Council" headed by Professor Juliot-Curie.<sup>52</sup> It was subsequently decided not to associate the conference publicly with the "World Peace Council" but to ascribe the initiative behind the conference instead to a "Preparatory Committee" which was seated in Moscow (after a cursory stay in Copenhagen). The purpose of the conference, it was proclaimed, was to find a way to improve the standard of living in the various countries and to normalize economic relations between countries regardless of their different economic or political systems. At the Conference the chairman of the preparatory committee emphasized that it was intended to promote trade between the "West" and the "East"

---

52. Letter to the Economic and Finance Committees of Parliament from Ir. Setiadi of the "Komite Pusat Pembela Perdamaian Dunia untuk Indonesia" (Central Committee for the Defense of World Peace for Indonesia), 6 Mar., I.P. 1952, pp. 187-188.

and between the economically weak countries and those industrially strong.<sup>53</sup>

Following an invitation forwarded through the "Indonesian Peace Committee", seven members of several Parliamentary committees were tentatively chosen to attend the conference—but as individuals, not as representatives of Parliament or of any party. However, the matter was dropped after both the Sukiman-Suwirjo Cabinet and the plenary session of Parliament declined to provide funds for the seven.<sup>54</sup> Nevertheless, a private delegation of thirteen "businessmen, technicians, labor and farmers' leaders" as well as correspondents, technically headed by Suchjar Tedjasukmana (Chairman of DEIP), did make the trip to Moscow.<sup>55</sup> Other than the five businessmen (four of them from DEIP) and three correspondents, the Indonesian visitors to the economic conference included a leader of Partai Murba and four other Communists or pro-Communists (who subsequently identified themselves with the P.K.I.).

At the Moscow Conference most of the work was performed by three committees, and so only three Indonesians played any real role in the conference. Besides Tedjasukmana on the International Trade Committee, there was Ferdinand

53. Report by Suchjar Tedjasukmana, Antara, 22 Aug. 1952: Adam Malik, Sovjet Rusia seperti jang saja lihat, (Djakarta: Endang, 1954), pp. 9-10, 42.

54. I.P. 1952, pp. 187-191, 198. Parliament rejected sending a delegation by a vote of 27 to 43. Although four of the seven selected were from the P.N.I., no members of that party cast votes for sending the delegation.

55. Antara, 20-21, 26 Mar. 1952; Adam Malik, op.cit., p. 11. Gapindo (the other principal business association) was represented by its head, Mr. Kosasih Poerwanegara. The principal businessman associated with Partai Murba—Adam Malik—himself attended as a correspondent (he was manager of Antara News Agency). The "farmer's representative" was Hartojo, Secretary General of Rukun Tani Indonesia, the P.K.I. farmers' front.

Tedjasukmana created a disturbance among some of the Indonesians in the group when he once suggested that some members from large Dutch companies in Indonesia join the group.

RUNTURAMBI (from the SOBSI Central Bureau) on the Economic Cooperation Committee, and Ir. S. Purbodiningrat on the Backward Regions Committee. At one time the Soviet delegation expressed a willingness to buy tin and rubber from Indonesia at above prevailing world prices--which "offer" was subsequently well publicized in Indonesia--but Russia later made it plain that she wanted only high quality (estate) rubber and rejected the low quality rubber of the Indonesian smallholders. The delegation reportedly most interested in trade with Indonesia, however, was that from Communist China! Many of the Indonesians returned home apparently impressed with the idea that by developing trade with the Soviet Union, Eastern Europe, and mainland China through Indonesian national traders the Indonesian economy would be greatly strengthened!<sup>56</sup>

In August, scarcely four months after the Moscow Economic Conference, Hungary sent a trade delegation to Indonesia. Besides holding negotiations

---

56. Tedjasukmana report, op.cit.; A. Malik, op.cit., pp. 47-49, 52, 57-60. The conference set up a "permanent" Commission to Develop International Trade, on which Tedjasukmana was designated to represent Indonesia, and a contact bureau to facilitate relations between businessmen of the various countries!

Before departing from Indonesia, Adam Malik had been approached by Minister of Economic Affairs Wilopo to look into the possibility of assistance from Russia for Indonesia's badly lagging industrialization program. However, Malik received only ambiguous replies from Russian trade officials, who on learning that the Indonesians were not official representatives of their government, refused to discuss the matter further.

Thereupon Adam Malik, half-owner of the "Tjihuni" plantation and rubber company, offered on behalf of his company up to 20,000 tons (sic) of smallholder rubber. He was quite taken aback, however, at the abruptness of the Russians' reply. They told him that they had no interest in low quality rubber since they had to consider Russia's interests, and that if smallholder rubber was poor, it was his job to see that its quality was improved. Malik wrote that he had learned a lesson that propaganda is not always in line with reality, and that there was a "Russia-first" spirit of nationalism which was both shrewd and callous.

Next, oblivious to the U.N. embargo towards Communist China, Malik signed a provisional rubber contract with the Chinese delegation. Back in Indonesia, however, the Government refused to allow it to be implemented.

with an official Indonesian delegation, it also met with Indonesian businessmen to apprise them of the way to trade not only with Hungary but with other Communist countries of Eastern Europe as well.<sup>57</sup>

International activity was matched by an artful campaign at home! Back in June 1950 Ir. Sakirman (then "still technically with the P.B.I.) had laid down the line that Communists should appear to favor the growth of "national capitalism", and four months later he brought his rump party into the P.K.I. and then became its parliamentary faction chairman. Early in 1951 D.N. Aidit—who months before had returned from a long stay in the "People's Republic of China"—became First Secretary of the enlarged P.K.I., and the Muso-Maoist "New Path" was resuscitated for the party.<sup>58</sup> The establishment of the Wilopo Cabinet the next year brought a lessening of pressure against the party. Thus, in a speech commemorating the thirty-second anniversary of the founding of the P.K.I., in May 1952, Aidit gave stimulus to the new campaign along the "New Path" and formally called for the foundation of a "national united front" not unlike the National Front which had been envisaged

---

57. Antara, 3, 16 Sept. 1952.

The Communist Bloc trade campaign continued at the "Asian and Pacific Peace Conference" at Peking a month later. Suroto (of Antara News Agency), head of the Indonesian Delegation, was chosen to report on the growth of economic relations at the conference. Citing the Moscow Conference, he called for developing international trade and condemned the U.N. resolution for the economic blockade of Communist China resulting from its aggression in Korea. Antara, 9 Oct. 1952.

58. Aidit, "Membolsewikkan P.K.I.", Bintang Merah, VII (1951), pp. 129-134. As the title of his article indicates, Aidit considered the "New Path" to be the first step in Bolshevizing the P.K.I., which ultimately would become the totalitarian party of Indonesia similar to that created by Lenin in Russia. See Chapter XXV.

under Muso's leadership in August 1948.<sup>59</sup>

To complement this national united front of political parties, Aidit recommended that there also be set up in various sectors of the society "united fronts" between "members and followers of the P.K.I. and members and followers of other parties." Calling for such fronts among workers, farmers, and intellectuals was nothing new. However, promoting a united front among businessmen was somewhat unique for a movement which termed itself the protector of the working class against "exploitation" by the business class and which was dedicated to the ultimate eradication of private enterprise and business initiative. Evading the Marxist-Leninist tenet that there would be no place for businessmen—national or otherwise—in a state controlled by a Communist party once it had reached the "socialist" stage, and evidencing a desire to make use of the national businessmen, Aidit explained that his party's "present program"—the "people's democracy program"—did not intend that they be liquidated, for they were needed to enlarge the productive capacity of the community in order to facilitate arriving at the socialist community. Aidit even took a page from Mao Tse-tung and conceded, for the time being, that not only workers, farmers, and intellectuals were encompassed by the term "People"—who were entitled to some democratic rights—but also the "petit bourgeoisie" and the "national

---

59. D.N. Aidit, Menempuh Djalan Rakjat (4th ed.; Djakarta: Pembaruan 1954). The reprintings were accompanied by small changes in the text. Aidit ended his speech with the cry: "Long live Comrade Stalin, champion of world peace!"



bourgeoisie."<sup>60</sup>

On 21 August 1952, Suchjar Tedjasukmana gave a lecture on the Moscow Conference before a full session of DEIP. In the ensuing discussions, there were suggestions that Indonesian national businessmen needed to develop trade with Russia and Eastern Europe.<sup>61</sup> Only a week later, on 29 August, a new business united front was established in Djakarta with the name Badan Koordinasi Usaha Nasional (Bakuna—National Businesses Coordination Board). Its stated purpose was to coordinate the activities of Indonesian national enterprises within the framework of an overall national economic and industrial program (which program was unspecified). Chairman at the founding session was RACHMAD Kusumobroto, Vice President of N.V. Perseroan Dagang "Arus"<sup>62</sup> of Surabaya, who became later Bakuna Vice Chairman. Subsequently,

---

60. Ibid., pp. 15-16, 24, 26-27. During a speech at Palembang in July, Aidit, repeating the P.K.I.'s desire to work together with all parties in a "National Front", declared also that his party was prepared to work together with "national businessmen" who were convinced that an "imperialist economy" would not benefit them. Antara, 27 July 1952.

SOBSI—which was again primarily under the control of Communist officers who had endeavored to have it toe the P.K.I.—Muso line in 1948—opened a national conference in Djakarta in late September as part of the campaign to promote the "National United Front" under the control of the P.K.I. and specifically to promote a "Labor United Front" under its own control. In order to present a more attractive front to the average worker, SOBSI decided "unanimously" to shelve the term "people's democracy" and substitute as the immediate goal in its program "full national independence" to assure the "speedy growth" of an "Indonesian national economy." Similarly, "socialism" and "class struggle" were temporarily dropped from its charter and program. At the same time its foreign program called for tightening the bonds with the W.F.T.U. in order to promote something called a "Democratic Front" for World Peace. Antara, 24 and 28 Sept., 8-9 Oct. 1952.

61. Antara, 22 Aug. 1952.

62. Antara, 30 Aug. 1952. Besides his position in N.V. Arus, Rachmad became president of another import concern with Chinese participation, N.V. Sura ("Arus" spelled backwards), and Vice Chairman of the Indonesian-Czechoslovakian Friendship Society.

Mohamad Saleh, Manager of Raya Trading Company of Djakarta was named chairman of the front, R. A. Saparno Setyopati SURJONEGORO of N.V. Bumiaju of Surabaya, Bakuna Secretary-General, and A. M. Hanafi, Vice President of D.S. Soeseno N.V. of Djakarta, as Chief of its Information Section.<sup>63</sup>

Although business representing a wide variety of interests had been invited to participate, and Bakuna immediately announced a membership of sixty-five, reportedly because of the front's political orientation and the fact that Chinese capital played an important role in many of the "benteng" companies which formed the core of this "national business organization", most of the more experienced and reputable Indonesian businessmen who had been invited to join decided against such action. Bakuna subsequently issued various public statements which on the one hand called for aid to Indonesian national business and on the other exhorted further trade relations with the Soviet Union and the "People's Democracies."

#### IKINI

On 6 July 1952, the P.N.I. Executive Council met with its Parliamentary faction and its ministers to discuss subjects including internal policy and preparations for the general elections campaign.<sup>64</sup> On 2 September, members of the P.N.I. Executive Council and its Parliamentary faction, and P.N.I. business leaders set up the P.A. Bank Umum Nasional in Djakarta with P.N.I.

---

63. Hanafi, whose companies were also largely Chinese-financed, had been an associate of Aidit early in the Revolution and held a comparable position in the Information Section of Pesindo in 1946-1947, when that Marxist youth front's publications were calling for a union of the three "proletarian-socialist-communist" parties (Partai Sosialis, P.K.I., P.B.I.). Cf. Aidit, op.cit., p. 2; Madjallah Revolusioner, 17 Nov. 1946 and 27 Jan. 1947; Charter 467/1950.

Subsequently Hanafi was to become a promoter and the Secretary General of the National Front organization, the Kongres Rakjat (People's Congress).

64. Antara, 5 July 1952!

First Deputy General Chairman Soewirjo as President, Dr. Ong Eng Die, as Vice President, and Mr. Iskaq Tjokrohadisurjo, Chairman of the P.N.I. Surabaya Regional Council, as Chairman of the Board of Directors.<sup>65</sup> The latter two, who a year later were appointed Ministers of Finance and of Economic Affairs, respectively, in the Ali Sastroamidjojo Cabinet, also became members of the party's election campaign fund committee which was formally established in December 1952 at the party's Sixth Congress in Surabaya.<sup>66</sup>

Meanwhile, there were signs of activity in business by rival political groups. By the end of August, Bakuna had been founded, but P.N.I. businessmen had refused to join it. There were also rumors circulating of favorable treatment for businesses associated with the P.S.I. in securing government orders from the Ministry of Defense.<sup>67</sup> Besides such political developments, on 14 August 1952 the Government had introduced a new system of import surcharges, which effectively raised the domestic cost of many kinds of imports, and a fortnight later another regulation required importers to pay forty percent of the landed price plus all of the import surcharge before a permit for import exchange would be issued.

Only the import measures were cited as a reason for the establishment of a new business association on 13 September by persons associated with the P.N.I. The Ikatan Importir Nasional Indonesia (IKINI—Indonesian National

---

65. See Charter 235/1953 and "Bank Umum Nasional" in Ch. XXIII.

66. Feith, The Wilopo Cabinet, 1952-1953: a Turning Point in Post-Revolutionary Indonesia, pp. 186-187.

67. These allegations were used in justifying the motion of no confidence in Defense Minister Hamengku Buwono, which was submitted on 23 Sept. 1952 by Zainul Baharuddin. See "B.N.I. Subsidiaries" in ch. XXIII, and "Parties, Importing, and the P.S.I.", infra.

Importers League) stated that its purposes were (a) to execute government orders; (b) to manage goods and materials for government stockpiling; and (c) to handle orders of private organizations and enterprises. Membership was open to importing companies established in Indonesia and legalized by its authorities, which were considered to be "Indonesian national enterprises" regarding their capital as well as their officers. Mohamad Tabrani became IKINI Chairman and Mr. Rufinus LUMBANTOBING, President of The Tapanuli Indonesian Corporation of Djakarta, its Vice Chairman. Mohamad Aminoedin PANE, President of N.V. Perusahaan Dagang "Pasuma" of Djakarta, became IKINI Secretary, and Dr. Ong, head of Kantor Accountant "Palembang",<sup>68</sup> its Treasurer.

#### Batik and Kretek

The Indonesian Government like its predecessor operated a variety of controls over the importation and distribution of special commodities, often through the medium of special government agencies set up for such purposes". The middle of the period under review brought a new phenomenon, however, namely the designation of "single-buyers" and affiliated distributors, which consisted of private organizations that were respectively importing corporations and their parent associations. Such organizations operated under

---

68. Sin Po, 13 Sept. 1952e. On the IKINI Executive Board were such P.N.I. prominents as R. Hoesein KARTASAMITA, President of N.V. Dewasa Trading & Industrial Coy Ltd. of Djakarta, and DR. R. Soeharto, President of Pharmasi Indonesia N.V. of Djakarta, both with interests in numerous other businesses.

Soon afterwards IKINI was joined by an association for exporters, IKENI. IKENI officers were: Mohamad ARSJAD, President of N.V. Handel Mij. "Indonesia Timur" of Makassar (a leading Indonesian concern in foreign trade), Chairman; Jaconias Benoni TITIHERUW, President of P.A. Maskapai Dagang "Djawa-Maluku" of Djakarta, Vice Chairman; and Amir SCNDA Daeng Manrapi (active in half a dozen Djakarta and Makassar companies), Secretary. These three businessmen originated from eastern Indonesia.

Government control in order to stabilize the prices of the primary raw material of two of the leading Indonesian industries, which were concentrated on Java and which had been experiencing a business crisis."

During 1950 the smaller Indonesian kretek producers had entered a depression following implementation of the new foreign exchange regulations (which discriminated against imports in favor of exports), the placement of cloves (the principal material in the kretek cigarettes along with tobacco) on the import freelist, and the outbreak of the Korean War (which had an inflationary effect on primary commodities). Whereas Kudus—the original home of the kretek—had been the site of the Indonesian "kretek king" before the war, by the time of the Unitary Republic one Chinese factory called Nojorono accounted for three-quarters of the city's kretek output and indigenous Indonesian plants only fifteen percent. By the time of the establishment of the Wilopo Cabinet, the kretek industry had deteriorated further so that a reported 140 of the 200 kretek cigarette factories in East Java had closed. This continued state of affairs led A.A. Achsien (N.U.) of the Parliament's Economic Committee to demand on 5 June 1952 that the Government take action on behalf of its "brother nationals."<sup>69</sup>

The Ministry of Economic Affairs, however, had already begun to take action. Dr. Saroso, head of the Directorate of Trade and Industry, had worked out with leading kretek producers a system by which cloves would be imported on a monopoly basis under the supervision of the Government. On

---

69. I.P. 1952, pp. 607-608. A year earlier, Achsien had reported of his inspection trip taken in late 1950 that the Indonesian kretek manufacturers felt hopeless. R.P. 1951, pp. 5054-5055.

Emon Bratawidjaja (Partai Buruh), also of the Economic Committee, following his inspection trip, reported many closings of kretek concerns in Central Java. Report, 3 July, I.P. 1952, p. 718.



3 June the Government announced that it was doing everything possible to lighten the burden on the kretek and batik industries. Then on the fourth, the P.T. Pusat Pembelian Tjengkeh Indonesia (P.P.T.I.—Indonesian Clove Purchases Center) was set up in Djakarta with its Rp.2,506,000 paid-in capital apparently at the ratio of slightly under 51:49 Indonesian and Chinese, principally from kretek manufacturers of Kudus and Semarang, who were members of the Gabungan Perserikatan Pabrik Rokok Indonesia (Gappri—Association of Indonesian Cigarette Factory Federations). Franciscus SUHARTO (Partai Katholik) of Kudus became company president, while a majority of its vice presidents and board members were Chinese. The P.P.T.I. immediately thereafter became the sole importer of cloves, which it then distributed among the kretek factories with the assistance of Gappri and other cigarette associations.<sup>70</sup>

The batik industry had similarly been suffering from spiraling prices of cambrics through the first quarter of 1951 and then from wide price fluctuations which accompanied speculation as dozens of companies participated in the importing and distribution of cambrics. After discussions in June 1952 between the Ministry of Economic Affairs (again represented by Dr. Saroso) and the Gabungan Ko-operasi Batik Indonesia, the country's leading federation of batik cooperatives (whose members were principally indigenous Indonesians), the single-buyer formula was introduced in the

---

70. See Charter 225/1953; I.P. 1952, p. 572; Warta Ekonomi untuk Indonesia, V (1952), 441-442; Abadi, 16 Mar. 1953. The proportion of shares held by indigenous Indonesians fell off sharply after the charter was legalized.

R. Suliantono SULAIMAN, brother-in-law of Dr. Saroso, was one of the P.P.T.I. vice presidents. Antara, 6 Sept. 1952. See "Importing and the P.S.I.", infra.

import of cambrics". The G.K.B.I.'s foreign trading subsidiary, N.V. Batik Trading Company, then managed by Mas SARWONO Sarwohardjono, was designated to carry out the importing, using the services of its branch office in Japan. Reducing its name to just N.V. Batik, it undertook the cambric importing and sold to batik cooperatives which performed the wholesaling.<sup>71</sup>

Despite the private nature of the two importing monopolies, their transactions were strictly controlled by the Government, initially by the Jajasan Administrasi dan Organisasi (the transformation of the A.I.O.).

To administer the importation of these key industrial materials, on 22 October 1952 the Jajasan Persediaan Bahan Perindustrian was set up, yet it was several months before it was ready to begin full operation. Meanwhile, during March and April, N.V. Batik also took over the wholesaling of cambrics to the separate cooperative associations. In May the J.P.B.P. itself became the importer, and N.V. Batik and the P.P.T.I. acted as its handling agents.<sup>72</sup> Thanks to its monopoly position in supplying materials upon which hundreds of small and medium-sized industries depended, by November the J.P.B.P. had banked over Rp.64 million.<sup>73</sup>

The G.K.B.I. eventually decided that it was able to perform the functions of its incorporated subsidiary itself, and so on 25 August 1953 it belatedly registered itself with the Department of Cooperatives. Having become a legalized entity in preparation for replacing N.V. Batik as the

---

71. Saroso, Ko-operasi dan Masalah Batik, pp. 68-69, 130-131.

The Economic Committee of Parliament on 3 July had urged the government to control strictly the price of batik materials. I.P. 1952, pp. 717-718.

72. Saroso, op.cit., pp. 130-132.

73. Iskaq statement, 18 Nov., I.P. 1953, p. 1108. See "Bank Umum Nasional"; Chapter XXIII.

Government's handling agent in the import sector, it then arranged for the liquidation of the subsidiary to be effective on 15 September.<sup>74</sup>

However, the G.K.B.I.'s ambitions were not to be fulfilled, for a new cabinet and Minister of Economic Affairs had in the meantime been installed. Consequently, the monopoly status of N.V. Batik as J.P.B.P. handling agent was ended on 9 September and that of the P.P.T.I. in October. Furthermore, to indicate that it no longer held the clove purchasing monopoly, the P.P.T.I. was compelled to change its name; it chose P.T. Perseroan Dagang "Kretek".<sup>75</sup> Although the "single-buyer" systems were ended, the relative freedom in competing for orders of cambrics and cloves that existed before mid-1952 was not restored. A form of monopoly importing was retained, but several different "national" importers came to be designated as handling agents for the J.P.B.P.

#### Importing and the P.S.I.

During the first three years after the transfer of sovereignty, specifically during the Hatta RIS, Natsir, and Sukiman Cabinets there was frequent criticism of the methods the Government used to promote the growth of national importers, including charges of an insufficiently forceful policy and waste in the distribution of import credits. The political atmosphere, however, was relatively free of charges of political favoritism. New importers were arising with all kinds of party attachments (although few were associated with the extreme left-wing which was still ideologically antagonistic to businessmen), but the party preference of their officers

---

74. Berita-Negara R.I. 1953, No. 86; Saroso, op.cit., p. 134.

75. Bank Indonesia Report 1953-1954, p. 134; Charter 587/1954. By the time of its reorganization, Chinese merchants had acquired a large majority of the shares of the P.P.T.I.

usually had no effect on their treatment within the group of protected national importers. There were even a number of companies set up in which several political leaders from different parties were active.

The era of good feeling, however, began to deteriorate noticeably in 1952 when preparations for the coming elections began to increase the polarization of the parties which had more moderate and apparently not too incompatible economic ideological tenets. At the same time a number of companies headed by personalities closely associated with certain parties were set up or became more active, some of which were developing bonafide business reputations of their own.

During 1952, two new national companies whose presidents were associated with the P.S.I. became active: Wibowo Corporation N.V. and N.V. Perusahaan Dagang "Soedarpo Corporation", founded respectively by Wibowo and SOEDARPO Sastrosatomo. On 23 September, when for perhaps the first time the actions of specific national importers were criticized in a plenary session of Parliament, the two companies became involved in the motion of no confidence in Minister of Defense Hamengkoe Boewono (non-party) submitted by Zainul Baharuddin. One of the justifications given for the motion was "the attitude of the Ministry of Defense in appointing certain organizations to undertake purchases for the entire Armed Forces, which appeared to confirm the charge that such measures gave material profits to a "certain group" (the P.S.I.).<sup>76</sup>

Part of the charges were directed against two B.N.I. subsidiaries in which Drs. TAN Goan Po was an officer and Dr. Sumitro was alleged to be the

---

76. Charters 690/1952 and 421/1953; I.P. 1952, pp. 782-783. The motion had its origin in differences over military personnel policy. Cf. "B.N.I. subsidiaries" in Chapter XXIII.

advisor! Zainul Baharuddin and BEBASA Daeng Lolo (P.R.N.), a co-signor of the motion, also asserted in explaining the motion, that Sudarpo and Wibowo had been permitted by the ministry to be its "sole purchasers" of munitions abroad.<sup>77</sup> In reply on 1 October, Minister Hamengkoe Boewono denied that the two businessmen had ever made purchases for his ministry.<sup>78</sup>

Criticism of P.S.I. activities in business was not stilled by the Sultan's denials. True, most of the officers and members of Parliament of the P.S.I. (see Appendix W), following the Marxist-Leninist tradition of the party, abstained from direct intervention in private enterprises. Nevertheless, there were a number of persons conspicuous in business (in addition to the examples cited), who were brothers, brothers-in-law, or otherwise closely related to P.S.I. leaders. Their being associated with the party was not inconsistent, of course, with the goal of the "mixed economy" which it had come to accept. However, knowledge of many of these relationships was common in Indonesian business and political circles, and sometimes it appeared to them that government agencies unduly favored companies close to the P.S.I.

At this time a certain P.S.I. member held a most strategic position in the bureaucracy administering economic affairs. It might be said that R. S. Minister of Prosperity Djuanda (non-party) was the initiator of the modern policy of Indonesianizing trade (principally the import sector) and that Unitary Republic Minister of Trade and Industry Sumitro (P.S.I.) was initiator of the modern program of industrialization. The top official below the

---

77. I.P. 1952, pp. 769, 816, 835. Ir. Sakirman (P.K.I.) charged that arms had been bought abroad through Soedarpo and Idham.

78. I.P. 1952, p. 816.



minister to coordinate action in these two sectors was Dr. SAROSO Wirodihardjo, a close relative of Sumitro and former school mate in the Netherlands,<sup>79</sup> who held the title of Chief of the Directorate of Trade and Industry.

In view of the above, when Minister Iskaq (P.N.I.) took office in the first Ali Sastroamidjojo Cabinet, since the P.S.I. did not support the cabinet (the P.S.I. faction had abstained from the vote to permit it to carry out its program), he began housecleaning by removing Saroso from his post. Shortly afterwards he found an excuse to remove Mr. Arifin Harahap from the key position of Chief of the Central Office of Imports.<sup>80</sup>

From that time on, there would be no occasion for charging a branch of the government with favoring a company which was close to the P.S.I. On the contrary, the P.N.I. itself undertook to dispense political favoritism in the economic sectors. P.N.I. followers subsequently justified such largesse as merely a continuation of the "P.S.I. spoils system." Yet in all fairness it should be stated that—in contrast to later developments—favoritism by P.S.I. officials had apparently not been very widespread.

#### N.V. Suez

Minister Iskaq's action in appointing two "national" companies to take over N.V. Batik's importing monopoly instead of approving the intention of the G.K.B.I.—the federation of virtually all indigenous Indonesian batik producers—to replace its subsidiary, touched off one of the most heated debates in the Indonesian Parliament during the pre-election era.

---

79. Saroso was brother-in-law of Sumitro's father, R.M. Margono Djojohadikoesoemo (non-party), who was head of the B.N.I. and Bank Industri Negara.

80. Saroso was kicked upstairs to draft new economic laws. Arifin Harahap was replaced for allegedly having leaked without authorization the instruction that became P.41.

For in September 1953, he designated The Suez Trading Company N.V. of Surabaya and N.V. Handelsmij. Goenoeng Perahoe of Djakarta, companies for which Mr. Iskaq and Mr. Sunario (then Minister of Foreign Affairs) had previously served as attorneys, respectively.

The action drew charges in the press that designating the two new companies was an example of gross party favoritism. Especially "indigenous" Indonesians felt affronted, for Mohamad bin Abdullah ALAMOEDI, President of N.V. Suez was an Arab merchant who as a peranakan had acquired Indonesian citizenship in a passive manner.<sup>81</sup> At the height of the commotion Minister Iskaq announced that the role of cambric importers would be rotated among national companies, and designated five other companies to import during October.<sup>82</sup>

Nevertheless, Tjikwan considered the problem of the designation of Suez and Goenoeng Perahoe as cambric importers sufficiently important to make it one of the justifications for introducing his interpellation! Pointing out that over a hundred companies had submitted offers after learning that the N.V. Batik monopoly would be ended, he asked on what grounds the two companies specified by Minister Iskaq had been chosen! He wondered if Suez had been designated only because of Mr. Iskaq's long personal

---

81. The debates later brought out the fact that Suez's debt to the B.N.I. via Gapindo (Rp.592,467 at the end of November) was the third largest arrears in that category. It may be recalled that the Ministry of Economic Affairs had threatened to bar defaulters from access to import exchange unless an agreement to clear up the arrearages were made. Cf. Iskaq statement and annex, I.P. 1953, pp. 1108, 1176.

82. Each company was to import one million yards of cambrics. Other companies were then chosen for November.

relation with it.<sup>83</sup>

Iskaq"replied that he had ended the N.V. Batik monopoly because some other importers had received offers of cambrics from abroad at prices below those quoted by N.V. Batik. Declaring that it had been his intention all along to rotate cambric importing among other importers, he denied that the five companies had been designated for October only after public reaction to the September appointment of N.V. Suez and Goenoeng Perahoe. The two companies had been chosen first, he explained, because "when the J.P.B.P. took over the cambrics monopoly the two corporations had future delivery contracts and had thus suffered a loss or at least had received less profit." Moreover, Suez had over a hundred cooperatives behind"it. Thus it was not true that this company had been chosen only because of his long personal connection with it.<sup>84</sup>

The"debate continued on 20 November. Margono Djojohadikoesoemo (non-party), who had one of the longest records of service to Indonesian cooperative movements of any former civil servant, deplored the fact that the long-established central association of Indonesian batik cooperatives (to which over 7000 batik producers belonged), the G.K.B.I., as a "democratic" representative of producers, had been replaced by an ordinary company of traders. Declaring that N.V. Suez probably did have over a hundred cooperatives among

---

83. Speech, 6 Nov., I.P. 1953, pp. 1035, 1049. Iskaq had practiced law in Surabaya before his appointment as minister.

See also "Tjikwan Interpellation", infra.

84. Reply, 18 Nov., I.P. 1953, pp. 1106-1107." Underscoring inserted by present writer.

its customers, he expressed a doubt that there were such a number "behind it."<sup>85</sup> One of the co-sponsors of the Tjikwan Interpellation, J.B.A.F. Mayor Polak (P.S.I.), considered the designation of the two importing companies a mistake since the G.K.B.I. represented both a development towards a modern industrial group as well as a cooperative in harmony"with Article 38 of the Constitution. It appeared to him that the Government considered importing only from the angle of "How do we divvy up the boodle?" Concerning the alleged future delivery contracts, he wondered whether only the two companies had them and whether it was not customary for such contracts to be taken over by the subsequent monopoly importer.<sup>86</sup>

Mr. Mohammad DALIJONO (Masjumi) was more direct." He charged that the real reason for selecting Suez and Goenoeng Perahoe had been that of party interests of the P.N.I., seeking funds for the election campaign.<sup>87</sup> Finally, Hadji Farid Alwi Isa (Masjumi), who had formerly been a merchant near Surabaya, made a number of observations in the form of questions to the Government. He noted that the list of eighty trading companies which had imported cambrics during the six months previous to invoking the government monopoly did not include the name "Suez" (or "Goenoeng Perahoe"). He declared that it was not true that Suez and Goenoeng Perahoe had suffered losses because of future delivery contracts "when the J.P.B.P. took over the cambrics monopoly", for it was the Batik Trading Company which had originally been given the monopoly (the J.P.B.P. did not operate until half

---

85. I.P. 1953, pp. 1114-1116.

86. I.P. 1953, pp. 1116-1117.

87. I.P. 1953, p. 1118.

a year later), and it had bought up the outstanding cambric contracts. Farid too wondered whether the alleged hundred plus batik cooperatives behind N.V. Suez had been recognized by the Department of Cooperatives. He also questioned the wisdom displayed by the minister in his alleged policy of guaranteeing uninterrupted deliveries of cambrics, for two of the five importers suddenly designated in October had declared that they were unable to handle their assignments.<sup>88</sup>

Two members of Parliament counter-attacked during the debate. Djaswadi Suprpto (P.N.I.) observed that the Economic Committee in principle had approved the ending of the cambric importing monopoly following an investigation report made by Mr. Assaat and Siauw. Ir. Sakirman (P.K.I.) charged that the "P.S.I.-Masjumi regime" had misused its authority by implementing a policy which had enriched a few persons at the expense of the state and people, and he called for an investigation of the profits obtained by the G.K.B.I. as the former instrument for carrying out the single-buyer and single-seller policy. Such a system of importing cambrics and cloves, he continued, suffered from the "clicque system", for in the corporations set up as the instruments of such a system sat many members or supporters of the P.S.I.<sup>89</sup> Farid Alwi Isa answered in-kind.<sup>90</sup>

In presenting the Government's Reply closing the debate, Minister Iskaq

---

88. I.P. 1953, pp. 1123-1125.

89. Speeches, 20 Nov., I.P. 1953, pp. 1120-1121. Sakirman alleged that one man appointed as an officer of one of the corporations involved had become the brother-in-law of the "champion of the single buyer and single seller policy" (i.e., of Dr. Saroso).

90. Statement, 2 Dec., I.P. 1953, p. 1185. He charged that the president of N.V. Suez had been a traitor to the revolution during the Battle of Surabaya.



on 2 December 1953 noted that the G.K.B.I. had remained the distributor of the imported cambrics under the supervision of the J.P.B.P. Since he had appointed not just two importers after the N.V. Batik monopoly ended in September 1953, he did not see why questions were still asked about why N.V. Suez and Goenoeng Perahoe had been designated first. Such designations did not represent mistakes which in his opinion had to be answered for. He did not feel, he declared, that it was necessary to go into the reasons for appointing Suez first because such a matter was too "silly" to be debated in such an august body as Parliament, which debate he feared would lower the prestige of Parliament.<sup>91</sup> And with that the debate on the N.V. Suez matter was closed.

#### Tjikwan Interpellation

The Tjikwan Interpellation has already been alluded to in connection with a number of policy issues arising shortly after Mr. Iskaq Tjokrohadisurjo became Minister of Economic Affairs. Early in September 1953 it was reported that a license had been given to export 15,000 tons of rubber slabs on a consignment and parallel transaction basis (a procedure which had been stopped since the beginning of the year). It was rumored that this had resulted from the wish of two ministers—one of whom was closely related to the party to get the license—that such an export license be given to "a

---

91. I.P. 1953, pp. 1174, 1178-1179. Iskaq appended a list of the "organizations" (not "cooperative organizations" as in his first revelation) behind N.V. Suez, which had formed the Pool Batik "Suez". The list included a Chinese batik cooperative (of 112 member enterprises), an Arab batik cooperative (of 510 enterprises), two indigenous Indonesian cooperatives of Ponorogo (with 84 and 31 members, respectively), and 45 individual batik enterprises (of which at least 33 were Arab and 8 Chinese). Subsequently the pool's name was changed to Koperasi Batik Central (Central Batik Cooperative), with Alamoedi as treasurer.

certain group". Shortly thereafter it had been announced that the license had been cancelled. Tjikwan accordingly asked for an explanation, charging that such actions had an unfortunate effect on the rubber market.<sup>92</sup>

Iskaq replied that the measure had only been intended to aid the Djakarta Branch of Persatuan Peladjar Demobilisan (Union of Demobilized Students), which had requested such a license in order to obtain funds for rehabilitating its members and enabling them to return to a normal way of life. The actual consignment would be carried out for them by six Chinese merchants who had on hand supplies of slabs. Although clearance had been obtained from other offices concerned, the Monetary Board had cancelled the measure on 11 September.<sup>93</sup>

Then Iskaq's party colleague, Djaswadi Soeprapto asked that for the purposes of comparison a list of the companies which in the past had exported rubber on such a basis be given to Parliament. Iskaq obliged with a list of 44 exporters which had shipped 65,900 tons of rubber.<sup>94</sup> Although split rather evenly between indigenous and Chinese companies, the list showed nothing conclusive regarding political distribution.

Another issue raised by Tjikwan concerned the granting of rubber export licenses to "certain merchants" according to foreign exchange contracts

92. I.P. 1953, pp. 1035, 1047-1048. See also "P. 41 and the Distribution of Exchange", "Gapindo", and "N.V. Suez", supra.

93. Statement, 18 Nov., I.P. 1953, p. 1104.

94. I.P. 1953, pp. 1120, 1173, 1177. The largest shipment, 13,100 tons, was licensed by N.V. Libra, whose President Ijan SOEPARDJAN had been reportedly close to members of P.S.I., and whose Vice President, KHOUW Kim Eng, in 1955 became involved in the so-called "Hongkong barter scandal." (See footnote 19, Chapter XXVII.) The second largest shipment, 5000 tons, was licensed by a P.N.I. company, N.V. Dewasa. Mr. Tan Po Goan (P.S.I. member of Parliament) shipped 1000 tons.

apparently lower than the current market prices, as a consequence of which the shipper acquired foreign exchange abroad!<sup>95</sup> In his explanation, Iskaq pointed out that such "moedercontracts" had been authorized at the end of July (thus during the last days of the Wilopo Cabinet) in anticipation of a falling market and were only allowed to "exporter-producers", i.e. exporters which had their own smoke houses, remilling plants, sorting enterprises, or estates!<sup>96</sup>

Tjikwan also complained that foreign exchange for imports appeared to be distributed without recourse to any systematic plan. Observing that in recent months (since the installation of the Ali Cabinet) hundreds of importing companies had been recognized as "national importers", he charged that such newly recognized "Newcomers" were receiving special consideration concerning import exchange, whereas the "Oldcomers" received very little.<sup>97</sup> Declaring that it was a tremendous task to distribute relatively little import exchange among the several thousand importers, Iskaq acknowledged that the two new terms had arisen among businessmen, but denied that the newest "Newcomers" were receiving special allocations.<sup>98</sup>

In addition to the exchange of opinions on specific economic issues, the Tjikwan Interpellation brought out expressions on a subject more basic. The interpellation proposal submitted on 20 October 1953 had charged that the

---

95. I.P. 1953, pp. 1035, 1048. Such a practice apparently violated regulations requiring residents to turn their foreign exchange over to the Foreign Exchange Institute.

96. I.P. 1953, pp. 1104-1106, 1116. Mayor Polak condemned such speculation on a bare market by the Government.

97. I.P. 1953, pp. 1035, 1049.

98. I.P. 1953, p. 1107.

sundry economic measures did not appear to be based on any economic plan aiming at a healthy national economic policy, and so it asked to learn the contents of whatever plan was being implemented—if there were any.<sup>99</sup> Iskaq replied simply that the Government wanted to change the colonial economic structure into a national one. Nevertheless, he admitted that the specific foundations, principles, organization, nature, and pattern of an Indonesian national economy could not yet be clearly defined, nor could the term "colonial economy" easily be explained.<sup>100</sup>

The subject of the national economy elicited various opinions from members of Parliament. Margono was disappointed that the large cooperative of batik producers (G.K.B.I.), which had taken decades to reach the position of cambrics importer, had now lost that status, yet the Government talked about changing a colonial economy to a national one. Since the terms were confusing the population, he requested a definition of just what was a "national economy", a "colonial economy", "indigenous", and "non-indigenous". He hoped that the meaning of "national" would not be tied to the nation or a race, but only to the country; e.g., anything produced within the country, and the capital and resident there, were to Margono "national".<sup>101</sup> Mr. Mohamad Dalijono ventured a definition of a national

---

99. I.P. 1953, pp. 1035-1036.

100. Statement, 18 Nov., I.P. 1953, p. 1103.

101. Statement, 20 Nov., I.P. 1953, pp. 1114-1116. Margono reminded his audience that many of them preferred certain hospitals and hotels which might be termed "colonial" (built by the Dutch). What was important was not "colonial" or "national", but a "democratization of the economic apparatus", e.g. the shouldering of the responsibility for the development of production and trade on a "business group", such as the centralization of distribution in the hands of the G.K.B.I. The question for him was neither a national one nor a colonial one but a universal one, one of humanism.

economy: "an economy for and operated by us" (national persons). Siauw, attacking the Government's "indigenous policy", asserted that every measure expressly aimed at liquidating the colonial economy had only strengthened the position of alien monopoly capital. Tjoeng warned that the harmonious middle class intended by the Government would not result from discrimination among the capital of citizens.<sup>102</sup>

Sakirman strongly criticized the "Dr. Saroso and Minister Sumitro era", when allegedly measures taken in the Ministry of Economic Affairs were solely based on the interests of the P.S.I. For him and the P.K.I. the current Government economic and trade measures approximated a "rather progressive and democratic policy". While still containing some weaknesses and shortcomings, they were in general "firm and daring". Yet he felt further measures necessary, such as complete state control of "vital importing enterprises" which bring in the basic consumer goods of the Government and people. Also, each national businessman had to be given opportunities freely to obtain foreign exchange, while a special foreign exchange policy which was not injurious to the national economy had to be implemented for enterprises of "alien monopoly capital."<sup>103</sup>

For Mr. Soejono Hadinoto (P.N.I.), as in his book four years" earlier, both a liberal, capitalist, free economy with the slogan "laissez faire, laissez passer", which resulted in domination by the economically strong, and a totalitarian state economy based on dictatorship and which thus was anti-democratic and contrary to the fundamental rights of man, were to be

---

102. I.P. 1953, pp. 1118-1119. Cf. "National Importers", above.

103. Statement, 20 Nov., I.P. 1953, pp. 1120-1121.



opposed. Instead, he chose a planned, "socialist", guided economy, the middle-way, which respected individuality while relating it to solidarity, thus a "symphony of individualities." On another subject, he explained the resentment existing in every part of the country towards the very strong economic status of the citizen of Chinese descent. The citizens together had to seek the best possible solution to this problem and to achieve a citizenship full of the feeling of national unity, he urged.<sup>104</sup>

Minister Iskaq, while repeating that it was difficult to define a national economy, declared that efforts should be aimed at the country's prosperity in the broadest sense. Approving Soejono Hadinoto's description of the past and present condition of the economy, he repeated the statement of Prime Minister Ali on 10 September, that the Government did not discriminate against non-indigenous citizens, but that nevertheless, separate treatment was necessary in order to reach a harmonious commercial middle class.<sup>105</sup>

The sponsor of the interpellation, Tjikwan then voiced his views on the subject. He felt that efforts to change the colonial economic structure to a national one had started with the proclamation of independence on 17 August 1945 and had been going on for years although slowed down by the

---

104. Statement, 20 Nov., I.P. 1953, pp. 1122-1123. He described the three-level social-economic pyramid inherited from the Dutch colonial period, with the Dutch and other whites on top, the formerly-designated "alien Orientals" in the middle, and the "natives" on the bottom. In the economic sphere at least, there had been no fundamental change, he asserted. I.P. 1953, p. 1183.

105. Statement, 2 Dec., I.P. 1953, pp. 1172-1173. On this occasion, Iskaq announced that for purposes of classification there would only be "national" and "alien" companies and that all citizens regardless of descent would be placed in the first category. See "National Importers."

action of the colonial power during the Revolution. In reply to the Government's lack of a definition, he described the basic feature of a colonial economy as dependence upon that of another country, whereas a national economy in essence had a structure that could stand by itself. And the economic structure outlined in Articles 37 and 38 of the Constitution for Tjikwan was a guided, socialist economy. In the import sector, he continued, increasing the percentage of foreign exchange allocated for national businessmen did not represent a fundamental change. Merely changing hands, in view of the various deficiencies among national businessmen, had not yet brought the changes expected, and the markets continued to be controlled by alien businessmen. This was so because placing a burden on a person who was not yet able to shoulder it meant giving him cause to ask help from another. The fundamental measures required had to be contained in an orderly plan aimed at meeting Indonesia's needs through its own production or at least reducing the size of imports through increased domestic production. Similarly in the export sector Tjikwan recommended maximum domestic processing of Indonesian products (for domestic consumption as well as exports) and direct shipments to the consuming countries. He concluded his remarks by offering a motion based on the information aired during the interpellation, the principal portion of which would call on the Government to formulate its conception of the national economy and to prepare a plan for "changing the colonial economic structure to a national one."<sup>106</sup>

---

106. Statement, 2 Dec., I.P. 1953, pp. 1179-11821 Co-sponsors were Amelz (non-party), Mayor Polak, Mohamad Noeh (P.S.I.), all co-sponsors of the interpellation proposal, and H. Farid Alwi Isa.

### Tjikwan Motion and Special Licenses

Debate on the Tjikwan Motion submitted on 2 December 1953 was postponed four months. In view of the Government's economic measures during the interim, on 5 April 1954 the text of the motion was changed into one of disapproval of the policy of the Minister of Economic Affairs (Iskaq). When debate commenced two days later, much of it touched upon questions broached during the interpellation, such as aid to private banks and personnel changes. An important part of the motion was concerned with the apparent lack of any plan for changing the colonial economic structure into a national one.

Tjikwan, regretting the Government's continued lack of definition of either term, reemphasized that the mere transfer of enterprises in several economic sectors to national businessmen did not make a national economy. Moreover, in making provisions for such changing of hands it was necessary to define who were entitled to be called "national businessmen" and what was meant by "national capital," and this required that there first be a citizenship law and a law regulating and differentiating between national and alien capital. Since a number of economic sectors still had a colonial structure, Tjikwan felt that a plan providing for stages and indicating which sectors would be converted first, had to be made.<sup>107</sup> In similar vein, Mayor Polak, who protested the way import exchange was distributed, declared that even if it were distributed equitably to national importers the process was only nationalization of the import apparatus and not yet a change in the economic structure.<sup>108</sup>

---

107. I.P. 1954, pp. 276-277.

108. I.P. 1954, pp. 280-281.

Replying on 20 April, Minister Iskaq said bluntly that even though there was no clear definition, "everyone already knows what is meant by a national economic structure!" Then he passed on to explain what the colonial economy was that had to be changed and noted that among the colonial vestiges that had to be erased was alien proprietorship of most trade (including small-scale trade), of some communications (especially interinsular), of most mineral extraction, and of large and important factories. He concluded by assuring the motion's sponsors that his ministry was working hard to change the economic structure according to a definite and orderly plan.<sup>109</sup> The reply fell short of what Tjikwan considered adequate.

Wibisono, citing the pride of some of the Government's supporters in the "daring and radical" measures towards liquidating the colonial economy—specifically the granting of import licenses to national rather than alien importers—pointed to their consequences which injured the state and the common people, whose interests it was said the Government wanted to protect. Such measures, he charged, had led to sales of import licenses and the growth of a class of parasites.<sup>110</sup>

As the debate grew warmer and charges of corruption came in quicker succession, charge and counter-charge flew back and forth between Marxist and Masjumi members of Parliament. Siauw (now with the S.K.I. faction) asserted that in previous cabinets the Masjumi had joined in the "booty policy" of handing out licenses to their friends. Wibisono reminded him

---

109. I.P. 1954, pp. 306-307, 309. One of six points Iskaq listed for the Government's export policy was to guide national enterprises so that a national export apparatus could be developed!

110. I.P. 1954, pp. 340-341.

that in the period since the transfer of sovereignty and before the Ali Cabinet no Masjumi member had held the Economic Affairs portfolio, whereas the P.N.I. had held it three times.<sup>111</sup> Ir. Sakirman, who expressed a desire that there be closer cooperation between the Working Committee for Export and Import Affairs and the Ministry of Economic Affairs, and who in general approved Government measures for implementing what he called a "transitional economic structure" between a "semi-colonial capitalist economy" and a "socialist economy", charged that past "Masjumi-P.S.I. Cabinets" always operated a policy that was parallel with that of "Dutch and American colonial capital".<sup>112</sup> Tjikwan termed this "pickpocket strategy" (the pickpocket yells "pickpocket!" to divert attention to another person), since the movements of the opposition parties had no connection with such capital, but the movements of the P.K.I. were closely connected with those promoted by the "proletarian dictatorship" in Moscow.<sup>113</sup> Wibisono called Sakirman's charges and the pose of Indonesian Communists as the best patriots a "broken record" made in Moscow. Citing the secret instructions of the Front Demokrasi Rakjat made early in 1948, which called for infiltration of sectors of the society and carrying out instructions in accordance with the strategy of the Soviet Union, Wibisono declared that the P.K.I. covered up its own crimes by charging other persons, a tactic often used by Hitler.<sup>114</sup>

The primary specific issue raised by the Tjikwan Motion was that of

---

111. Wibisono speech, 20 Apr., I.P. 1954, p. 342.

112. Speech, 20 Apr., I.P. 1954, pp. 346-348. Concerning the Working Committee, see "Other Commercial Indonesianization", infra.

113. Speech, 29 Apr., I.P. 1954, p. 401.

114. Speech, 29 Apr., I.P. 1954, p. 406.



special licenses (idzin istimewa) for imports, which instead of being issued by the regular channels, i.e. by the Central Office of Imports without referral up to superior administrative or political positions, were provided personally by Minister Iskaq. Tjikwan, in explaining his motion, noted that although the country's foreign exchange reserves had been falling, in one month (March 1954), reportedly Rp.200 million in exchange had been allotted to around 100 importers while over a four-month period about four thousand importers would have to compete for Rp.397 million. This gave rise to suspicions that the Government had divided importers into "favorite child" and "step child" categories.<sup>115</sup>

Hadji Farid Alwi Isa (Masjumi) also suggested that the sum involved in special licenses (approximately Rp.160 million), apparently had been distributed among companies which were "proper" in the view of the leadership of the Ministry of Economic Affairs.<sup>116</sup> Mayor Polak compared the amounts of such special licenses, a few of which approached Rp.10 million apiece, with the customary maximum amount issued over a four-month period to an importer of Rp.200,000. He reported having heard that during the first three months of the year Rp.300 million in special licenses had been issued to about 150 companies.<sup>117</sup>

Iskaq replied that the special licenses had been issued specifically in order to meet needs for the coming Lebaran. Since there were still many

---

115. Speech, 7 Apr., I.P. 1954, pp. 278-279. Tjikwan noted that within weeks of this occurrence, the Central Office of Imports had four successive heads,

116. I.P. 1954, p. 280.

117. I.P. 1954, p. 281

"strawmen" among national merchants, he explained, he had taken it upon himself to determine who would get such licenses, with the intention that the merchants chosen would be bonafide, would not be used by alien businesses, and would themselves realize the foreign exchange allocated to them. Insisting that "objective" factors had been used, he rejected the charges of step-child treatment, or of arbitrary distribution of licenses solely according to personal feelings. He then submitted a list of 93 importers which had received Rp.167 million in special licenses, two-thirds of which were for textiles. However, he suggested that if the motion's proponents wanted to know which importers received how much exchange for all kinds of imports throughout the first part of the year, all the archives of the Central Office of Imports would have to be brought to the session—something which he hoped was not intended.<sup>118</sup>

Nevertheless, Wibisono asserted that reports which he had received indicated that the policy of Minister Iskaq was to change the colonial economy into not a "national" but a "national party" (read: P.N.I.) economy. Consequently, he doubted that the Government really wanted to wipe out the practice of license-selling (despite its stated intentions) because the victims would be certain parties which no longer would get assistance from such special national importers.<sup>119</sup> Saroso Harsono (of the Government party,

---

<sup>118</sup>. Statement, 20 Apr., I.P. 1954, pp. 311-312, 327-328! Lebaran was the holiday when the population customarily put on new clothes or gave presents of textiles!

Although admitting that there had been less exchange available for all imports than in past years, Iskaq explained that annually 5% of exchange allotted was not used and that special licenses were issued on the sum anticipated for 1954.

The largest allocation was received by the Nirwana company of Semarang (Rp.9 million). At least one of the top three was associated with an IKINI officer.

<sup>119</sup>. I.P. 1954, p. 341.

P.R.N.) inquired whether the special licenses had also been issued in 1953<sup>5</sup>. Citing Iskaq's statement that special licenses had been given to bonafide merchants, he inquired whether the Minister kept lists of bonafide and non-bonafide importers, and asked why such licenses had not also been given to the other bonafide importers.<sup>120</sup> Iskaq merely answered that since special licenses had been given in early 1954 for importing goods for Lebaran, none had been issued during the last part of 1953.<sup>121</sup>

The debates over the Tjikwan Motion attracted widespread public interest. In Djakarta a group of businessmen set up a Committee to Defend the National Businessmen, which expressed strong objections to Minister Iskaq's policies of special licenses, in other fields as well as importing and exporting. As Mr. Wibisono emerged as the chief protagonist in the motion of no-confidence in Minister Iskaq's policies, he was flooded with evidence on the subject of special licenses. From such information, he deduced that only ten percent of the companies on the list released by Iskaq were bonafide and that the rest were simply "briefcase importers" who existed by selling licenses. Furthermore, he reported that such importers, for the privilege of obtaining special licenses, usually had to make an extra "deposit" equal to ten percent of the value of the licenses, which went into the election campaign fund of a "certain party". Although Wibisono made such charges outside of the chambers and immunity of Parliament, and it was a public secret that they referred to the P.N.I., no official denials

---

120. I.P. 1954, p. 355.

121. I.P. 1954, p. 346.

were forthcoming.<sup>122</sup>

When debate resumed on 29 April, Tjikwan, too, analyzed Iskaq's list of importers which had received special licenses. Citing the qualifications given by Iskaq for receiving special licenses, he wondered whether a Chinese firm listed was a genuine "national" importer and what were the criteria for determining whether a company was bonafide or capable of "realizing", itself, the special license granted it. Citing Wibisono, he charged that the main qualification for getting such a license was to fill the treasury of a certain party (the P.N.I.) in preparing for the election campaign. He also wondered about the statement that the special licenses had been given to provide goods for Lebaran (which was to fall early in June), whereas investigation showed that some would not be delivered until July or August. Furthermore, he described as a "public secret" that special licenses had been granted via two channels, although in both cases the Minister himself selected the importers, namely via the Central Office of Imports (which list had been submitted to Parliament) and also directly by Minister Iskaq's own hand. He asked why a list of the latter type of special permits had not been submitted.<sup>123</sup>

---

122. Abadi, 23-24 Apr. 1954. Wibisono declared that some of the names on the list of 93 were government officials. He charged, too, that special licenses led to rises in the prices of imports since they included the 10% "deposit".

123. I.P. 1954, p. 400. Tjikwan also wondered why the allotment to one company was up to forty-five times as great as that to another, why the allotment to a large and long established company was smaller than that of a much smaller importer, and why certain well-known bonafide national companies had been omitted whereas many which could not be regarded as real importers had received allocations. Furthermore, he reported that some of the companies on the Minister's list denied the data shown or denied ever having received such special licenses.

Alwi Isa declared that he had true information that in addition to the Rp.167 million in special licenses admitted by Minister Iskaq, there was another Rp.88 million which had been issued on the advice of businessmen who had been called in by him especially for such matters. This was further proof, he thought, that Iskaq's actions instead of being based on regulations had depended only on his personal desires.<sup>124</sup> Mayor Polak reported information that regarding the second category of special licenses, Rp.60 million had been acquired from unused allocations at the end of 1953 and Rp.20 million from the allocation for industrial imports.<sup>125</sup>

Iskaq in return continued to deny that personal preferences had governed the issuance of such licenses, declaring that "it may be said" that he did not know personally the presidents or managers of the respective companies on the list he had submitted. He suggested, however, that some mistakes in the distribution were unavoidable. In reply to the requests for lists of other special licenses, he declared that there were no other special licenses, there were only supplementary sums given to a number of importers--who felt that the original distribution had been less than what they had calculated--after further inspection was made.<sup>126</sup>

These and other replies of Iskaq to the Tjikwan Motion appeared to be sufficient to backers of the Ali Sastroamidjojo Cabinet in Parliament, for

---

124. I.P. 1954, pp. 401-402.

125. I.P. 1954, p. 403e

126. I.P. 1954, p. 404.



the motion failed 60 to 101.<sup>127</sup>

### P.T. Interkertas

Much attention during the debates over the Tjikwan Motion against the policies of Minister Iskaq (P.N.I.) was centered on the case of P.T. Interkertas. This new corporation's charter was drawn up on 2 December 1953, showing that its capital of Rp.500,000 was distributed among three stockholders, half to SIDIK Djojokusarto (General Chairman of the P.N.I.), and a quarter each to Mr. R. Sundoro BUDHYARTO Martoatmodjo (a lawyer and leader of SOBRI, the labor federation following the tradition of Tan Malaka), and Mr. R. Achmad SOEBARDJO (Advisor General to the Minister of Foreign Affairs, who had disaffiliated from the Masjumi). Budhyarto was named President, and his wife and Sidik, members of the Board of Directors. The new corporation's stated purpose was to trade in all kinds of paper and paper products, to import all kinds of paper, and to produce all kinds of paper.<sup>128</sup>

---

127. Of the ten Parliament factions represented in the Ali Sastroamidjojo cabinet, only three mustered up all their members to defeat the motion against Minister Iskaq's policies, namely the 5-man Partai Buruh, the 4-man P.S.I.I., and the 1-man B.T.I. factions. A.A. Achsien, chairman of the N.U. faction refused to attend the session that evening. Nine members, representing five different Government factions, abstained from voting. The principal supporter of the Ali Sastroamidjojo Cabinet not represented in it, the P.K.I., mustered 16 of its 17 faction members to vote approval for Minister Iskaq's policies.

"Pak Djenggot" (a gossip column) reported that at a meeting of a certain Government party council, 5 of its 7 members in Parliament insisted that they would back the Tjikwan Motion. This allegedly caused the party bosses to make them all kinds of promises in an effort to get them to vote against the motion. Abadi, 28 Apr. 1954. (At that time, P.R.N. had 8 active members in Parliament; N.U. and Parindra, 6 each.)

128. See Charter 250/1954. Budhyarto's brother, Dr. Boentaran, was chairman of the Persatuan Progresip (United Progressives) faction in Parliament, whose representative in the Government was Minister of Defense Iwa Kusuma Sumantri. Late in 1954 Budhyarto himself replaced Iwa in Parliament. During the Revolution Budhyarto and Soebardjo served sentences for their role in the attempted coup d'etat, the "July 3d Affair", in 1946.

The matter associated with this company was broached by Mr. Jusuf Wibisono (Masjumi) in his speech concerning the growth of parasites on the community among certain national importers who without hard work or experience could make huge profits because of special treatment. He reported that the extreme shortage of newsprint in many of the cities then was said to be connected with the fact that on the initiative of the Ministry of Economic Affairs a new paper importer had been established that received very special treatment. Although new importers usually had to wait months for recognition, this one had received it within one week. Moreover, whereas other national importers usually received a relatively small allocation of foreign exchange for importing paper, the new company had received over one hundred times the customary amount. Since the new importer was brand new and not yet operating smoothly with a wide distribution apparatus, Wibisono felt these circumstances might have had some relation to the disturbed newsprint supply. Wibisono further declared that he had heard that the same special importer had received in an unusual procedure "extremely satisfying" orders from the Indonesian Election Commission worth tens of millions of rupiahs. He accordingly asked the Government to clarify these reports".<sup>129</sup>

Later that same day, Minister Iskaq limited his remarks to providing figures intended to prove that there was sufficient newsprint in the country and to explaining that the closing down of one newspaper had been for financial reasons.<sup>130</sup> However, Dr. D. S. Diapari (chairman of the pro-

---

129. Speech, 20 Apr., I.P. 1954, p. 341.

130. I.P. 1954, pp. 355-356.

Government S.K.I. faction) called Wibisono's allegation that the Indonesian Election Commission had ordered hundreds of tons of paper from a distributor which had received special treatment "a complete lie".<sup>131</sup>

The subject did not die then, however. For on 23 April the Djakarta daily Sumber reported that the importer which had become the subject of much speculation was P.T. Interkertas, which allegedly had received recognition as an importer from the Ministry of Economic Affairs on 16 December 1953 and further recognition as an importer of stationery goods on 9 February 1954. The paper also reported that Interkertas had received import exchange not only for 600 tons of paper as reported earlier, (which was just an initial order), but for 2000 tons, which represented an order from the Indonesian Election Commission.<sup>132</sup> Reporting this news when debate resumed on 29 April, Wibisono also took note of Diapari's remarks and the sharp public denial by S. Hadikusumo (P.N.I.); the Commission Chairman, that his commission had ordered paper from a special importer. The Masjumi parliamentary leader then asserted that he had heard that the order, involving about Rp.6 million, had been given without taking bids according to the procedure which was customary for all Government purchases. Wibisono also reported that Minister Iskaq himself had asked an alien bank in Djakarta to grant an import credit to Interkertas for Rp.10 million, and he suggested

---

131. I.P. 1954, p. 353.

132. I.P. 1954, p. 405. Sumber reported that Interkertas had received legal recognition as a corporation from the Minister of Justice on 8 December 1953. However, the corporation charter indicates that the application for legalization was not dated until 9 February 1954 and legalization did not take place until 17 February 1954. Thus the Ministry of Economic Affairs had granted two kinds of recognition to this national importing concern before it had become a legal entity.

that the bank had been ordered to violate a regulation against granting import credits. He accordingly demanded an explanation for so much special treatment to Interkertas!"<sup>133</sup>

Interkertas was soon to have company, for on 28 April, the Djakarta daily Pedoman reported that three other special paper importers had joined it in a Government order for 1000 tons of paper at a price several thousand dollars above the offers of other importers. Wibisono, noting that Iskaq had declared that he had issued special licenses in connection with Lebaran, asked if these other special licenses were also connected with Lebaran, and if not, then for what reason!"<sup>134</sup>

In his reply that evening, Minister Iskaq finally explained that the Government had ordered 5000 tons of paper from five importers, half of it (2500) from Interkertas. Of this total, 3000 tons were to be used "for meeting the future requests of the political parties" during the general election campaign, and the balance was for stockpiling. Only five importers had been chosen, he explained further, because these had supplies abroad and were ready to make direct shipment whereas the general delivery picture abroad was otherwise unfavorable". Interkertas had received recognition within a short time, Iskaq went on to explain, because it gave evidence of "complete preparations" and it had its own building. Thus the Ministry of

---

133. I.P. 1954, p. 405.

134. I.P. 1954, pp. 404-405. The other three special importers listed were Capura, Salom, and Unitra. A member of the board of directors of one of these was a top officer in IKINI; a top officer of another was associated with the P.R.N., the party of Minister of Justice Djody Gondokusumo; and the third was a Jewish company with an indigenous Indonesian listed as president. Cf. Pedoman, 28 Apr. 1954. On the whole, however, these other companies were older and experienced".

Economic Affairs had been confident of its soundness and felt obliged to give support by granting recognition as quickly as possible. The providing of credit by an alien bank was not contrary to regulations, he explained, because for each bank there was specified a general ceiling to cover the sum of the loans to its clients, and a new debtor was allowed so long as the total ceiling was not exceeded. The fact that P.T. Interkertas received this credit he felt was evidence of the strength of its credit standing. Thus Iskaq rejected Wibisono's charges that the insufficient newsprint supply was connected with the granting of a special license to an inexperienced importing concern. He further expressed a doubt that the orders from the Indonesian Election Commission could actually be termed "extremely satisfying" (Wibisono's words), since it had purchased from Interkertas only because the latter could meet its obligations.<sup>135</sup>

#### Exit Iskaq

Despite Interkertas and the special licenses, after the Tjikwan Motion had failed, it appeared that the seat of Minister of Economic Affairs Iskaq was again secure. Nevertheless, in July, less than two months after the vote on the motion, the N.U. publicly expressed its concern over the economic and personnel policies of the Government. Shortly afterwards,

---

135. I.P. 1954, pp. 407-408, 414. Besides Interkertas and the three other companies reported by Pedoman (each of which received a special license for 500 tons of paper) there was a fifth company, Interocean, which had received an order for 1000 tons following a reportedly bonafide offer. Iskaq also submitted a list of the 31 newsprint import allocations granted through usual channels (for 5775 tons), 2465 of which came through four long-established alien suppliers and 1500 tons via four of the five companies which got the special paper licenses.

In July it was reported that Minister of Justice Djody himself was allowed by the Cabinet to select a company to import paper at above the market price. Pedoman, 19 July 1954.



PIR (the second major party in the Ali Cabinet), began to show evidence of dissatisfaction with the Cabinet's economic and financial policies. Next, in September, the P.S.I.I. decided that it could not be responsible for the policies of the Ministers of Economic Affairs, of Finance, and of the Interior.

In October, PIR at its Congress in Solo decided that it could no longer accept joint responsibility for the Ali Government's economic and financial policies, and so on 23 October it withdrew its ministers from the Cabinet. As a result of an intra-party struggle, nineteen of the twenty-one PIR members in Parliament rejected Chairman Wongsonegoro and reorganized under the leadership of Mr. Tadjuddin Noor and former Minister Hazairin. Consequently, Prime Minister Ali was compelled to undertake to reshuffle his cabinet. The primary demand among the parties supporting the Ali Cabinet was that Iskaq had to go, and so he was allowed to submit his resignation, effective 8 November. Since it was also demanded that the P.N.I. no longer hold both the Economic Affairs and Finance portfolios (and thereby a majority vote on the Monetary Board),<sup>136</sup> a candidate from outside the P.N.I. who was sufficiently "acceptable" to the other Government parties was sought to take over the Ministry of Economic Affairs. Eventually, it was agreed that Ir. Roosseno, who had followed PIR party discipline and resigned as Minister of Communications (but then remained with Wongsonegoro's rump party), had a sufficiently good reputation to qualify him for that post. Among the other changes in the "reshuffle", the P.N.I. was given Roosseno's old portfolio, and Dr. A.K. Gani became the new Minister of Communications. Since the N.U. had to give up the Ministry of Agrarian

---

136. Cf. Arudji speech, 9 Dec., I.P. 1954, p. 1263.

Affairs in order to get the more important Ministry of the Interior, the former portfolio was given to P.R.N. and I Gusti Gde Rake.

#### Margono Resolution

Early in 1954 the Indonesian Parliament passed a law authorizing itself to perform investigations. Then on 29 April, the date the Tjikwan Motion came up for a vote and failed, Margono Djojohadikoesoemo announced that regardless of the outcome of the vote on the motion, he would submit a proposal for an investigation commission since the problem at hand was one detrimental to the country.<sup>137</sup> When there was no sign of diminution of corruption in certain circles of the Ministry of Economic Affairs under Mr. Iskaq, even after the warning provided by the Tjikwan Motion, on 1 October Margono and ten others submitted a proposal for an investigation of the Ministry's work in the field of trade from January 1950 up until that time. Special attention was to be given to the system, regulations, and issuance of export and import licenses.<sup>138</sup>

The explanatory note accompanying the draft resolution stressed the poor state into which the country's foreign exchange had fallen. Although it was necessary to encourage businessmen to increase exports, it was asserted that domestic prices had often been higher than those on markets abroad, and measures of the Central Office of Export Affairs had frequently led to unjust treatment and actions injurious to the country. In the import

---

137. I.P. 1954, p. 411.

138. I.P. 1954, p. 919. Co-signers included a number of members of Opposition parties; Tjikwan and Wibisono (Masjumi), Kasimo and Tjoeng (Katholik), Lukman Wiriadinata (P.S.I.), Soemarto (Parkindo), and Pellaupessy (Demokrat); other non-party members: Assaat and Teuku Hasan, and Sjamsuddin Sutan Makmur, who on 16 October joined PIR, which split during that month and largely went into opposition. Later Mayor Polak (P.S.I.) joined as a co-signer.

field, instead of a rational system of distributing foreign exchange and fair procedures for issuing licenses, corruption at the Central Office of Import Affairs was found to be rife. From the doorman on through virtually all the desks concerned with issuing an import license it was necessary to pay bribes to speed up handling of applications or even to get any service. As a consequence persons entitled to receive licenses did not get them, those not qualified did get them, and thus license-selling with commissions up to 200 percent had become common. Since the consuming public and bonafide importers were victimized, the proponents felt that an investigation was in order.<sup>139</sup>

News of the proposed investigation of the Ministry of Economic Affairs was well received in many foreign-trading circles. On 7 October, a giant meeting of national businessmen headed by J. Moelia PANGGABEAN (of Veem Nasional) passed resolutions urging Parliament to approve holding an investigation and set up a committee as a liaison body between national businessmen and the Government, in order to assist in the investigation. A majority of the speakers at the meeting strongly supported holding the investigation, although some felt that it should concern itself solely with economic problems and not involve itself with politics.<sup>140</sup>

---

139. I.P. 1954, p. 1073.

140. Pedoman, 8 Oct. 1954. Among the nine members of the Liaison Committee (which had been the preparatory committee for the meeting) were N. F. Umbas (manager of IPPHOS--Indonesian Press Photo Service Company Ltd.) and Sidi Tando (President of N.V. Sidi Tando and N.V. Pabrik Tjati dan Tinta "Indonesia").

Among those speaking in favor of the investigation were Ir. Omar Tusin, representative of DEIP, and Mr. Tjoeng of Parliament's Economic Affairs Committee. Most outspoken opposition came from M.A. Pane (President of N.V. Pasuma and Secretary of IKINI), who took exception to Panggabean's statement that even though he himself was a member of the P.N.I., the investigation would be for the benefit of all national businessmen.

By 15 October, the Economic Affairs Committee of Parliament had submitted its report on the Margono Resolution. The majority of its members approved the investigation resolution, although one or two expressed anxiety over action to be taken if most of the officials investigated were found to be corrupt. Concerning the membership of the commission, the consensus favored some kind of proportional representation which would reflect the composition of Parliament. Although a few committee members urged that members with direct interests in companies utilizing foreign exchange should not serve on the commission, there was also a suggestion that the commission have some expertise in the field to be investigated.<sup>141</sup>

In reply to these points, the resolution's proponents declared that the possibility that the import office's employees might resign was no valid reason for not holding the investigation. Furthermore, they did not feel that possession of direct interests in companies needing foreign exchange had to imply wrong intentions concerning the inquiry, whereas it was possible that persons with no direct interests in such companies might still wish to thwart the investigation.<sup>142</sup>

On 2 November Minister Iskaq sent to Parliament a note concerning the proposed investigation. This gave a survey of different procedures followed in granting import and export licenses and observed that each had its good

---

<sup>141</sup> I.P. 1954, pp. 1073-1075. One committee member reported that all the personnel of the Central Office of Imports had a compact to resign should the investigation be carried out. Another reported that if an importer did not include a bribe with his application, his name was put on the office's blacklist. Another urged that a basic economic law be created, the absence of which had made it possible for the previous excesses and arbitrary actions of a minister to take place.

Djaswadi Suprpto later expressed this anxiety over what measures should be taken towards personnel found to be corrupt. I.P. 1954, p. 1098.

<sup>142</sup> I.P. 1954, pp. 1075-1076.

and bad points. That corruption thrived on the system of distributing exchange was admitted. However, while acknowledging that his ministry was aware of corruption, Iskaq declared that it was difficult to get evidence. Nevertheless, it was alert, he said, and would call in the police or public prosecutor if signs of corruption turned up.<sup>143</sup>

Six days after he sent his note, Minister Iskaq resigned. Nevertheless, on 9 November Parliament began hearing the views of the proponents of the Margono Resolution. Margono, noting that Iskaq had acknowledged the existence of corruption, termed corruption the "consequence" not the "cause", and declared that in order to make improvements it was necessary to investigate the causes. In regard to inquiries about why the investigation was to be focused on the field of trade, he replied that trade was directly related to the everyday life of the people, and so attention had to be given not just to the interests of merchants but also to the very function of trade in the community. Citing examples where smallholder industries such as weaving mills were killed not by foreign capital but by inefficient national importers, Margono also observed that in the rush to Indonesianize the import apparatus, the distribution apparatus had been neglected.<sup>144</sup>

Mr. Assaat (non-party), another leading proponent of the investigation resolution, emphasized the need for an investigation in the field of imports" by describing the vicious circle whereby "national importers" could make tremendous profits with virtually no capital or risk only by selling licenses.

---

<sup>143</sup>. I.P. 1954, pp. 1077-1080.

<sup>144</sup>. I.P. 1954, pp. 1080-1082. In July, Sakirman (P.K.I.) and Sarino (P.N.I.) of the Economic Affairs Committee had submitted a report blaming the "control of alien monopoly capital imperialists" at home and abroad for the hardships which the smaller textile enterprises had experienced. I.P. 1954, p. 6731



Thus hundreds of applications were submitted by new companies for recognition as "national importers", and the "fee" for recognition under such circumstances sometimes exceeded Rp. 25,000. Consequently, the Government's intention to provide national businessmen with an opportunity to become skilled importers was not succeeding, for who under such circumstances, Assaat asked, would bother to build up relations abroad or an efficient organization at home. With the employees of the Central Office of Imports aware of the easy profits available to such "importers", he concluded, might they not think it only fair that these importers share a part of such profits with them?<sup>145</sup>

In the debates on the proposed Margono Resolution, no one took a stand against it, although several recommended that the scope of the investigation be strictly limited. Sakirman (P.K.I.) blamed the corruption and foreign exchange difficulties on "alien monopolists" and suggested that the condition might be ameliorated, if the Government controlled part of the export sector, by itself operating foundations or institutes (jajasan) for smallholder products and by "normalizing" trade with the Communist countries. Sakirman admitted, however, that merely establishing the system he favored (a government trade agency) was not in itself a guarantee of benefit to the country, and that this depended largely on the skill and honesty of its personnel. Siau (S.K.I.), too, attacked the control of "alien monopoly capital" (as was his fashion), but his target was also corruption, "bureaucratic capitalism", the "false" national economy, and the "indigenous" policy, as a result of which several thousand former members of the marhaen (i.e. the "have-nots") had

---

<sup>145</sup>. I.P. 1954, pp. 1082-1083. Assaat compared the selling of import licenses by national importers with the reselling of scarce flour by bakeries or of scarce cambrics by batik factories, which profiteered through speculation rather than production.

become members of the "haves" with fine bungalows. He expressed the hope that the investigation would bring a unanimous desire for mobilizing all "national" energies and liquidating the colonial economy.<sup>146</sup>

Especially during the second round of debates, when it was apparent that the consensus favored it, other members of Government parties announced their support of the resolution. One of the first to support the resolution publicly was Saroso Harsono of P.R.N., whose party chief (Mr. Djody Gondokusumo) had himself issued a special import license (with cabinet approval) the previous July,<sup>147</sup> and who by the following March would leave the party. Ir. S. Dipokusumo (a new member from Parindra) recited his views on economic development policy while expressing approval of the resolution. Asrarudin announced Partai Buruh's support. Although Teuku Jusuf Muda Dalam (who had left the P.K.I. in 1953 and joined the P.N.I. in 1954 and had business interests around Langsa and Medan) at first declared that a motion calling for improvements in the import and export sectors was preferable to a resolution for a full investigation, Djaswadi Suprpto reported the P.N.I.'s support after the scope of the investigation had been narrowed down to the foreign exchange system. Sudijono, too, after first requesting the views of the resolution's proponents on a national

---

<sup>146</sup>. Speeches, 16 Nov., 13 Dec., I.P. 1954, pp. 1101-1103, 1313, 1315.  
 Note: Although the time lag in reproducing speeches in Parliament meant that minutes for sessions at the end of 1954 were actually published in 1955, "I.P. 1954" (Vol. V) is still cited for speeches in 1954 made after 24 November (pp. 1164 ff.).

<sup>147</sup>. Pedoman, 19 July 1954; see note 135.

economy, announced Partai Murba's support.<sup>148</sup>

The Margono Resolution was passed unanimously on 13 December 1954 after several compromises. To inquiries about the possibility of defining more clearly the proposed investigation's purpose, Mr. Assaat declared that it arose from Indonesia's poor foreign exchange position and intended to seek improvements in export and import regulations so that the sale of export products could be increased and so that there might be some economizing in the use of foreign exchange. Minister Roosseno, the new Minister of Economic Affairs, announced that the Government could agree in principle with the resolution, but since foreign exchange concerned a number of government agencies, he urged that the text not limit the scope of the investigation to the work of the Ministry of Economic Affairs in the field of trade. Siauw, meanwhile, offered to amend the text of the resolution so that the investigation commission would investigate the advantage or lack thereof of maintaining the foreign exchange system based on the 1940 ordinance and would study the methods and efforts to obtain foreign exchange through promoting exports and the system of distributing foreign exchange permits to importers." The final draft of the resolution as

---

<sup>148</sup>. Speeches, 16 Nov., 13 Dec., I.P. 1954, pp. 1098-1101, 1104-1106, 1313-1316. New member B. M. Diah (non-party but backing the Ali Cabinet), referring to the insufficient attention given to the distribution apparatus (about which Margono had complained), declared that such was especially true during the period prior to the Ali Cabinet.

Co-signer Sjam'suddin Sutan'Makmur (PIR) cited the huge profits from special import and export licenses and the continued worsening condition of the people's living despite their hard work while the Ali Cabinet kept propagandizing its theory of changing the colonial economy to a national one, as reasons for his joining in sponsoring the resolution. He charged that among its opponents were those who had received special favors and opportunities to manoeuvre in the trading field behind the smokescreen called "national economy".

accepted largely incorporated these modifications.<sup>149</sup>

The subject of the composition of the Investigation Commission also was debated. Although there was general consensus that the membership should reflect the composition of Parliament, there was a difference of opinion over the kind of qualities most appropriate for the members. The Communists (Sudijono of Partai Murba and Sakirman of the P.K.I.) opposed participation by anyone who was associated with any corporation. Djaswadi Suprpto (P.N.I.) recommended that those chosen be persons who were expert, honest and objective but who had no direct interests in the matter (thus persons not associated with import or export corporations).<sup>150</sup> Minister Roosseno on the one hand urged in the interests of objectivity and efficiency that the persons chosen for the commission should not have much material interest in the subject of the investigation but on the other hand that the membership reflect the social groups which directly or indirectly were materially connected with the commission's work. (sic)<sup>151</sup>

However, Diah said what was important was to choose the "honest of the honest" members of Parliament. And Mr. Assaat pointed out on behalf of the proponents that the appointment of the party man who had no interests in foreign

---

<sup>149</sup>. Statements, 1 and 13 Dec., I.P. 1954, pp. 1195-1196, 1313, 1316-1318. The proponents accepted the revised terminology for the Margono proposal recommended by Abulhajjat. Thus, instead of offering Parliament a "proposal for an investigation" they presented a "draft resolution for an investigation". Abulhajjat asked that the names of the sponsors be removed from the caption of the resolution since it was to be accepted by Parliament. Although the proponents originally demurred, when it reappeared for final discussion in 1955, their names (Margono c.s.) were missing.

Minister Roosseno preferred the broader scope of the investigation partly to avoid casting suspicion on the employees of a "certain agency."

<sup>150</sup>. Speeches, 16 Nov., I.P. 1954, pp. 1098 ff.

<sup>151</sup>. Statement, 13 Dec., I.P. 1954, p. 1316.

trading companies would give no assurance that the work of the investigation would be facilitated since he might try to cover up the mistakes of his party. Thus they opposed any move to prohibit members in business from sitting in the commission and urged that emphasis be put on persons who were "clean and honest".<sup>152</sup>

Finally, on 28 January 1955, a thirteen-man Investigation Commission was set up representing different parties of Parliamentary factions. It so happened that a majority of the members did have business interests.<sup>153</sup> However, this first parliamentary investigation commission, which had been launched with much fanfare, had an anti-climactic life. Its real raison d'etre--the incumbency of Mr. Iskaq as Minister of Economic Affairs--had been removed even before it had been set up. Moreover, the election campaign and other political problems and the Bandung Conference were pushing economic problems into a place of secondary interest. Accordingly, although the commission did submit an interim report, it never completed its assignment.<sup>154</sup>

#### Other Commercial Indonesianization

Importing, as the commercial sector most subject to Government controls and thus accessible to manipulation in favor of national businessmen, and as apparently the simplest of the more highly developed business sectors, had

---

<sup>152</sup>. Speeches, 16 Nov., 1 Dec., I.P. 1954, pp. 1104, 1196.

<sup>153</sup>. I.P. 1955, pp. 23, 46. The members were Muda Dalam (P.N.I.), Tjikwan (Masjumi), Siauw (S.K.I.), Margono (non-party), Lukman Wiradinata (P.S.I.), Dipokusumo (Parindra), Pellaupessy (Demokrat), Hutomo Supardan (P.K.I.), Tjoeng (Katholik), Saroso Harsono (P.R.N.), Mr. Burhanuddin (member of N.U., effective 1 Aug. 1954), Abulhajat (Progresip), and Tedjasukmana (Partai Buruh).

<sup>154</sup>. I. Tedjasukmana interview, Ithaca, 5 Aug. 1958.

After the Boerhanoedin Harahap Cabinet was set up and an official examination of corruption begun, Mr. Iskaq left the country "for reasons of the health of a member of his family".



ever since the creation of RIS attracted far more new Indonesian businessmen and potential businessmen than ever before. There was also growing participation by Indonesian retailers on a level above that of small shopkeepers, and some of them thereby acquired the status of national "middle-class merchants" and received protection through having a group of import articles reserved for them. In Djakarta a number of these associated in the P.P.M.I. set up N.V. Usaha Dagang Menengah Indonesia (N.V. Udami) with R. Soekardi as President, as their agent for importing and wholesaling.<sup>155</sup>

For several years, however, there was little attempt by indigenous Indonesians to match their inroads in the importing sector by competing with the well-developed Dutch and Chinese business enterprises in the export and intermediary trading sectors. In March 1950, DEIP had set up Persatuan Eksportir Indonesia (PEKSI--Union of Indonesian Exporters).<sup>156</sup> However, two years after the transfer of sovereignty, Tjikwan of Parliament's Economic Committee could declare that he did not know of a single Indonesian merchant who exported goods by himself from Indonesia.<sup>157</sup> Not long afterwards, the Wilopo Government

---

<sup>155</sup>. Charter 776/1954. The Wilopo Cabinet announced that good relations would be sought between the importer, wholesaler, distributor, and retailer, while protecting the economically weak and seeking to end colonial vestiges in the economy. I.P. 1952, p. 248.

Confirming the fact that importers formed the group receiving most aid was its listing of assistance to national merchants: (1) guaranteeing a fair profit to importer, wholesaler, and retailer (by decree of the Ministry of Economic Affairs); (2) supervision against price manipulation through a decree requiring the use of invoices; (3) reservation of "benteng" goods for national importers; (4) reservation of "middle-class" goods to be imported by "middle-class merchants"; and (5) financial aid according to banking and commercial principles. I.P. 1952, p. 570.

<sup>156</sup>. Trade Directory of Indonesia 1954-1955, (Djakarta: DEIP, 1954), p. lxv.

<sup>157</sup>. Speech, 11 Feb., R.P. 1952, pp. 391-392.

announced that by placing Indonesian merchants in touch with producer organizations and by providing credits, it hoped to develop some export companies.<sup>158</sup> Eventually a number of national companies did call themselves exporters, and some regional export associations were formed by Indonesians. Not long after the P.N.I. set up IKINI in the importing field, it was joined in the exporting field by IKENI!

Yet by 1954, one Indonesian official could name only four "really active Indonesian exporting companies: Djohan Djohor, Intraport, Central Trading Company, and N.V. Soetan Sjahsam Corporation, all of Djakarta.<sup>159</sup> The first started business during the Dutch period and the next two during the Revolution, and these were at least as active in importing as in exporting. Sjahsam, a coffee merchant in the Low Countries during the forties, returned home to open his own company in 1951, which was to become the major indigenous Indonesian enterprise devoted exclusively to exports (primarily of rubber).

In the intermediate trading sectors the activities of Indonesians were varied. A unique company arose in this sector following plans developed during 1953 to control the smallholder rubber collection business in the important slab production center of South Sumatra. Locally the project was promoted by Governor Mohamad ISA, and in Djakarta, by Chief Sardju of the Department of Trade. The new concern was on the one hand to buy from Indonesian slab producers and thereby guarantee them a fair return, and on the other to sell to rubber remillers in Indonesia (who would then export rubber "blankets"), thus guaranteeing them a continuing source of slabs and insuring steady mill employment. In September, the Monetary Board approved a draft

---

<sup>158</sup>. Statement, 9 May, I.P. 1952, p. 248.

<sup>159</sup>. Amstutz, op.cit., ch. I.

budget for the agency, which was given the name Badan Penampung Karet Rakjat (Smallholder Rubber Collection Agency)". Despite some demands (especially among some local farmers and political groups) that the agency be a foundation totally financed by the Government, there had been growing disillusion with this form among official circles, where it was felt that the Government's contribution might be considered merely as assistance and thus lost. Consequently it was decided to set up a mixed corporation with a legally responsible management, with 51 percent of its stock held by the national government and 49 percent distributed among the groups primarily affected, such as the rubber farmers, merchants, and processors.<sup>160</sup>

The founding of the new corporation, which received the name N.V. Karet Sumatera Selatan (South Sumatra Rubber Corporation), was scheduled for 15 December 1953 in Palembang, but had to be delayed a number of months because of financial apathy on the part of the Indonesian farmers. The remillers, primarily Chinese businessmen, quickly subscribed to a majority of the shares reserved for the private sector, while much of the balance was offered to the general public through newspaper advertisements.<sup>161</sup> Finally, in mid-1954, the

---

160. John O. Sutter, "New Semi-Governmental Rubber Agencies", American Embassy Despatch No. 393, Djakarta, 10 Dec. 1953, pp. 2-3; Pedoman, 21 Jan. 1954. The corporation was to have an initial paid-in capital of Rp. 10 million (one-fifth of its nominal capital). Its purpose was also fiscal: it would restrict exports of slabs in order that they be processed locally into blankets as a consequence of which government revenue from exports would increase.

Three years earlier the Government had forecast that rubber export companies would be set up with its assistance and eventually become the property of smallholder rubber cooperatives. Statement, 11 Oct., R.P. 1950, p. 1829.

161. John O. Sutter, "Smallholder Rubber in Indonesia", American Embassy Despatch No. 10, Djakarta, 6 July 1954, pp. 9-10. Similar corporations were originally planned for North Sumatra, Central Sumatra, and Kalimantan, but subsequently the plans were dropped because of popular apathy and increased emphasis on production of sheets.

new corporation was launched. However, slabs being one of the lowest quality forms of natural rubber brought the farmer-producer relatively little proceeds. Consequently, to encourage the production of smoked rubber sheets, which were far more valuable, a year later the corporation's structure was modified for that purpose.<sup>162</sup>

Indonesianization commenced in the intermediate trade of another primary commodity, sugar, when the Persatuan Pedagang Gula Indonesia (P.P.G.I.--Indonesian Sugar Merchants Association) was set up with Mr. PRI Sosroatmodjo as chairman. The association began taking over the domestic trade in sugar both on Java and to the outer islands!<sup>163</sup>

Most interinsular traders for long after the transfer of sovereignty, however, continued to be Chinese'. Accordingly, to stimulate the growth of Indonesian enterprise in this sector, the Government in August 1952 discontinued granting recognition to companies owned by other than Indonesian nationals, which led to complaints by persons of Chinese descent that in practice there was discrimination in favor of indigenous Indonesians.<sup>164</sup> Subsequently, a screening of interinsular traders took place. Nevertheless, in most areas the number of merchants recognized in this category who were listed as aliens (Chinese) remained significantly greater than the number of Indonesians.<sup>165</sup>

---

<sup>162</sup>. Djawaban Pemerintah...Boerhanoedin Harahap..., (14 Nov. 1955), p. 56.

<sup>163</sup>. Bank Indonesia Report 1953-1954, p. 118.

Pri, who was active in a number of businesses, was chairman of the Junior Chamber of Commerce for Indonesia. In May 1954 he reportedly became the first Indonesian to pass the sugar merchants examination.

<sup>164</sup>. Siauw speech, 31 Aug., I.P. 1953, p. 765.

<sup>165</sup>. However, by August 1954, the number of Indonesian interinsular traders in West Sumatra exceeded the number of aliens by 50 to 47. Laporan Tahunan Sumatera Tengah 1954, p. 94.

A related series of measures attempted by Minister Iskaq in carrying out his policy of developing a national economy out of the colonial one involved sole agencies of foreign manufacturers on the one hand and distributorships of alien manufacturers in Indonesia on the other. These measures followed the setting up on 23 December 1953 of the Panitia Kerdja Urusan Import dan Export (Working Committee for Import and Export Affairs) by Iskaq expressly to provide liaison between the Government and importers for the purposes of determining its import policy. However, as its name indicated, the committee was also instructed to provide the Minister with advice on export matters.<sup>166</sup>

In April the Working Committee decided to set up several committees entrusted with separate tasks. One was to attempt to solve the problem of administering import exchange by requiring all importers to join the existing associations and then channeling foreign exchange to them via the organizations.<sup>167</sup> One was to endeavor to develop a strong national exporters class by uniting the efforts of national exporters.<sup>168</sup> The results of these two committees appeared to have been quite negligible.

Another committee of the Working Committee apparently made recommendations which Minister Iskaq took greater pains to have carried out. It was to devise "practical measures" for placing the distribution of products of domestic industry--still handled by alien companies--into the hands of national businessmen.<sup>169</sup> On 14 May 1954, the Ministry of Economic Affairs announced

---

<sup>166</sup>. I.P. 1954, p. 322. The heads of the Central Offices of Imports and of Exports were respectively chairman and vice chairman of the committee. Members were representatives of DEIP, Gapindo, Bakuna, IKINI, and Gabim.

<sup>167</sup>. I.P. 1954, pp. 309-310; Amstutz, op.cit., ch. IV.

<sup>168</sup>. I.P. 1954, p. 310.

<sup>169</sup>. Iskaq statement, I.P. 1954, p. 310. As early as November 1950, Mr. Iwa had recommended such measures. I.P. 1950, p. 583.



that it was the Government's goal to have Indonesian concerns become the distributors of the popular consumer goods from alien factories in Indonesia. There followed offers of inducements and threats of sanctions to encourage such major factories to give up their usually long-established and efficient distributors, most of whom were aliens (usually Chinese). The process was slow and sometimes painful, accompanied by protests of the distributors involved (some of whom could assert that they too were citizens), and it was no easy matter to find already qualified, experienced Indonesian national distributors to take their place.<sup>170</sup>

At the same time a drive was undertaken to promote distribution by Indonesian citizens of leading consumer goods from abroad. As an initial step to assess the field, the Central Office of Imports announced on 16 September 1954 that importers which were sole agencies had to register their commodities with it and supply appropriate evidence from the supplier abroad.<sup>171</sup> Then on 18 October, the Ministry of Economic Affairs announced a measure, which was expressly a step in the development of a "national business group" as part of the program to change the colonial economic structure into a national one operated by Indonesian citizens. Consequently, the Government, alleging that since it granted foreign exchange it felt partly responsible for the smooth arrival and distribution of goods, ordered the Chief of the Department of Trade to designate "sound and bonafide" national businessmen (Indonesian citizens) to act as the new holders of sole agencies.<sup>172</sup> For some time previously

---

<sup>170</sup>. Amstutz, *op.cit.*, ch. I: Meek, The Government and Economic Development in Indonesia, 1950-1954, p. 171.

<sup>171</sup>. Kronik Tindakan Ekonomi, (1954), No. 16, p. 5.

<sup>172</sup>. Ibid., No. 17, p. 22.

Indonesian national importers had approached Dutch and sometimes Chinese sole agents of popular trade-marked products to give them up, but with little success. Now that national importers were guaranteed the major share of import exchange and explicit Government policy was behind them, they were somewhat more successful, but since most (like their colleagues trying to take over the distribution of domestic products) lacked any distribution apparatus, it was still a slow process.<sup>173</sup> On the other hand, since trade with the countries of Eastern Europe blossomed during the first Ali Sastroamidjojo Cabinet, many national importers associated with Bakuna easily acquired sole agencies for goods not formerly imported into Indonesia.

#### Pharmacies

The first Government measures to facilitate gradual Indonesianization of a specific segment of the distribution trade at the retail level, which occurred early in 1953, appeared in laws sponsored by the Ministry of Health to guarantee a suitable distribution of pharmacies, especially in the more sparsely-populated regions of the country.<sup>174</sup> These laws would prohibit the opening of new pharmacies in specified areas without a license from the Minister of Health and, for a temporary period, would authorize the Minister to license "emergency pharmacies" headed by assistant pharmacists.

While under discussion in the sections of Parliament in December 1952, the bill for opening new pharmacies evoked such suggestions as the following: (1) since aliens owned most of the ninety-five pharmacies in Indonesia, alien enterprises ought to be prohibited from opening up any more at least in large cities (profitable areas); (2) since most assistant pharmacists lacked capital,

---

<sup>173</sup>. Amstutz, op.cit., ch. VI.

<sup>174</sup>. The Ministry of Health was already authorized to control the locations where new physicians and dentists could set up practice.

the Government itself should set up pharmacies which later could be turned over to private business; and (3) the Government should give sufficient help to national pharmaceutical businesses by, for example, helping them to obtain direct connections with medicine factories abroad'. In the bill for opening emergency pharmacies, the provision that assistant pharmacists, in order to qualify, had to have twelve years experience including three with the Government, was viewed by one member as discrimination against Chinese assistant pharmacists, who worked only with private organizations.<sup>175</sup>

In reply to these views the Government stated that the two laws were intended to promote private enterprise by increasing the number and distribution of pharmacies throughout the country. It affirmed that national enterprises in their initial stage were given guidance and support by the Government. However, it took issue with the suggestion that the prohibitions not apply to Indonesian nationals. Observing that such a suggestion viewed pharmacies only as "~~businesses~~", the Government asserted that anyone should be allowed to open a pharmacy who, besides having economic goals, also wished to join in the task of distributing medicines to the people. Still, in case of competition between strong and weak companies, the Government always assisted "national" businesses, which in general were economically weak, it asserted.<sup>176</sup>

Debate on the two bills was opened in a plenary session of Parliament on 19 January 1953. Drs. YAP Tjwan Bing (P.N.I.), himself a pharmacist, took issue with those members of Parliament who had earlier reported that there

---

<sup>175</sup>. I.P. 1953, pp. 81-85. One member of Parliament even suggested that the Government set up its own pharmacies and then require private pharmacies to sell at prices three times those of the Government. (Individual members are not identified in the section reports; cf. Musirin speech below.)

<sup>176</sup>. I.P. 1953, pp. 85-88.

were only two academic pharmacists (with degrees) who were "Indonesian nationals". He asked how he could participate in that "supreme political body" (Parliament) if he were not an Indonesian national. J. P. Snel (P.R.N., representing the European group) took issue with the Government's statement about supporting the "economically weak", since in practice this often meant that whoever had not the least economic ability and was neither thrifty nor economical received the largest proceeds. He proposed, instead, that the Government give credit to those who were "financially weak but economically strong."<sup>177</sup> Siauw, noting that about twenty-eight pharmacists were Indonesian citizens, attacked former Dutch policy for the shortage in the country. Declaring that most medicine importing was in the hands of three Dutch companies which had virtual control over the majority of the pharmacies in Indonesia, he asserted that Government efforts to aid "newcomers" in importing medicines could not succeed because they had no guaranteed markets. His primary interest, however, was in having the Government withdraw the provision of three years' government service for assistant pharmacists wanting to open emergency pharmacies, since it had been difficult in the past for those of Chinese descent to get such work.<sup>178</sup>

Several other members, however, were interested in protecting the "national" character of new pharmacies. Thus Mas Soetardjo (PIR) urged that a prospective pharmacy business should have a charter specifying that at least 51 percent of

---

<sup>177</sup>. R.P. 1953, pp. 421, 423-425. The two "national" pharmacists were officials in the Ministry of Health. Later one was removed for malversation.

<sup>178</sup>. R.P. 1953, pp. 447-454. Although Rathkamp and Joan van Gorkom were the two major pharmaceutical import and sales chains, Chinese capital was also active.

its capital was "national capital".<sup>179</sup> IDNUTADJI Prawirosudirdjo (P.N.I.), Chairman of the Education, Culture, Religion and Health Committee of Parliament, while expressing his happiness at seeing the government promise protection to the weak, asserted that protecting such national enterprises was an obligation for the national Government. Thus, he urged that Indonesia be declared a closed territory to the opening up of any more branches of alien pharmaceutical businesses".<sup>180</sup>

The P.K.I. position on the matter was presented by Musirin Sosrosubroto. For immediate action, he urged the Government to abolish the "sole monopoly rights of giant alien capital" to manufacture and import medicines and to put "national newcomers" into direct connection with medicine factories abroad. Over the long run, however, he called on the Government on the one hand to take over direct control of all medicine importing then being done by private companies and on the other to convert private pharmacies into official pharmacies of the Government.<sup>181</sup> And thus the P.K.I., which during 1952 decided to take the popular tack of announcing support of the private Indonesian businessman--who was threatened with extermination by "giant, monopoly alien capital"--perhaps inadvertently revealed that the private national businessman was not to receive perpetual support but was to be perhaps only a tool in attaining the Communist goal of a wholly state (read: "party")-run economy.

---

179. R.P. 1953, p. 430.

180. R.P. 1953, pp. 455-456

181. R.P. 1953, pp. 431-441. Musirin cited a letter from the Persatuan Ahli Farmasi Indonesia (Union of Indonesian Pharmacists), which urged the Government to support national importers so that they could import narcotics (thitherto only three alien companies were licensed for such imports) and to purchase medicines, etc. from national importers.



Dr. J. Leimena (Parkindo), Minister of Health, replied that especially in importing medicines the Government gave its orders to Indonesian newcomers, who in general were economically weak and who thus got direct connections with manufacturers abroad. As national importers developed their own distribution apparatus, he pointed out, some of the existing monopolistic structure would be dissipated. But although the Government would provide all kinds of assistance, he declared, most important for national enterprises was "self-activity". Answering Snel and Siauw, Leimena asserted that the Government did not differentiate between indigenous and non-indigenous citizens, for it was a national government which embraced all citizens, even those which Siauw had in mind. Thus the 3-year requirement was not camouflaged racial discrimination.<sup>182</sup>

Then Ngeradjai Meliala (Demokrat) submitted an amendment which would exempt enterprises with national capital from the prohibition in the first bill, since a pharmacy was a business and not a social institution like a physician (whose sites of practice had come under the control of the Ministry of Health). He reasoned that a doctor could practice successfully anywhere, but a pharmacy, operating on a profit and loss basis, could not long operate at a loss in a remote region.<sup>183</sup> The Government, however, opposed the amendment, for in Dr. Leimena's words there was already an escape clause in the bill for the benefit of national enterprises, and moreover the national government

---

<sup>182</sup>. R.P. 1953, pp. 477-489, 511-515. EMON Bratadiwidjaja (Partai Buruh) had suggested that the state take over the quinine factory at Bandung, but Leimena reminded him that the question of such nationalization was outside the scope of the matter at hand.

<sup>183</sup>. R.P. 1953, pp. 526, 528, 531. Meliala said that for him the capital of Indonesian citizens was "national capital" regardless of whether or not they were indigenous. Co-signers of the amendment were Siauw, Maruto Nitimihardjo (Partai Murba), Asrarudin (Partai Buruh), and Oto Rondonuwu (Progressif).

had to act fairly.<sup>184</sup> After some discussion over the meaning of "national capital" and acting "fairly", the amendment was defeated (56 to 76), and the bill was passed.<sup>185</sup>

The bill for emergency pharmacies was finally passed after a compromise amendment offered by Nj. SOENARJO Mangoenpoespito (Masjumi) was approved. This allowed assistant pharmacists to open such businesses either after fifteen years of experience (aimed at those of Chinese descent) or after ten years of experience three of which were in Government service (aimed at the indigenous Indonesian).<sup>186</sup>

#### Jajasan Kopra

An export enterprise which became quite involved in national and regional political problems was the Government's export monopoly for copra, "Jajasan Kopra". After the formation of RIS, dissatisfaction with the operations of Coprafonds in the leading copra producing areas, some of which were on the periphery of the Indonesian state, had contributed to continued high rates of copra smuggling. In mid-1950, a Copra Commission headed by I.J. Kasimo was set up to examine the copra problems and recommend improvements. Accordingly, Coprafonds relinquished the purchases of copra from Java and Sumatra to private enterprise. Then, effective 1 December 1950, it was reorganized so that its economic task was complemented by the social task of improving the lot of the copra producers, and its name was Indonesianized. As head of

---

<sup>184</sup>. R.P. 1953, p. 527.

<sup>185</sup>. R.P. 1953, p. 563; "Undang2 No. 3/1953".

<sup>186</sup>. R.P. 1953, 535-540, 566; "Undang2 No. 4/1953". The amendment passed, 94 to 38. A rival one by Ibnutadji (and approved by the Government), which would require a total of 12 years for those with 3-years government experience, was voted down.

the new Managing Board was chosen the busy Kasimo (then also Chief of the Department of Estates and Member of Parliament).<sup>187</sup>

During 1951, the Jajasan Kopra began spending some of its reserves to promote cooperatives among copra producers. Thanks especially to the Korean War boom that year, Indonesia exported 609,377 tons of copra and copra cake, its best year over the decade following World War II and close to its pre-war record. Thereafter, however, the world market for Indonesian copra continued to decline.<sup>188</sup> Consequently, plans to convert the Jajasan Kopra into a Copra Central Cooperative<sup>189</sup> were repeatedly shelved.

In 1954, the economic problems of the Jajasan Kopra became supplemented by new political ones. The institute had been selling direct to the consumers abroad through its branch or a broker in Amsterdam. Early in 1954, Minister Iskaq decided, however, that national businessmen should be allowed to partake in this trade. Accordingly, he "recommended" to the Managing Board that it turn over the sales of upwards of 15,000 tons of copra to a certain "national" corporation, allowing it a commission of up to 2 percent of the sales price. Since it had been agreed that the jajasan's own margin would not be affected, the Managing Board calculated that this one transaction would mean giving the company a present of Rp.300,000 at the expense of what the copra producers would net. Since if all the jajasan's sales abroad were similarly turned over

---

187. Pertanyaan Anggota dan Jawaban Pemerintah, II, 95, 98; F. A. Pitoei speech, 30 Sept., R.P. 1950, pp. 1041-1042; "Keputusan Menteri Perdagangan dan Perindustrian No. 7820/M", 11 Nov. 1950; Java Bank Report 1950-1951, pp. 79-81; Economic Committee report, 14 June, R.P. 1951, pp. 5053-5054; Government statement, 15 June, R.P. 1951, p. 5096. The separate Coprafonds Oost Indonesia was also liquidated in 1950. See Chapter XVI.

188. Cf. Bank Indonesia Report 1955-1956, p. 130.

189. Government statement, 3 June, I.P. 1952, pp. 569-570.

to national companies it would result in a shift in income of about Rp. 3 million annually from the coconut farmers to a handful of businessmen, the Managing Board did not follow the Minister's recommendation.<sup>190</sup>

As a consequence, Kasimo (Partai Katholik) was relieved of his position as head of the Jajasan Kopra Managing Board in mid-year, and Mr. R. PRATIKTO Sastrohadikoesoemo (P.M.I.), a judge of the court at Malang, was appointed as his successor. Thereafter, the jajasan's exports went via "national" companies, most of whom according to Kasimo, still had to depend on alien brokers.<sup>191</sup> Because of this policy of Minister Iskaq, maintained by the Ali Sastroamidjojo Cabinet, Kasimo joined with others headed by Mr. Wibisono in sponsoring a motion of no confidence in the reshuffled Ali Cabinet, which was submitted on 19 November, but which the Government parties and supporters were able to vote down.<sup>192</sup>

Smuggling of copra abroad had never been entirely eradicated. However, during the second half of 1954 it flared up anew, especially out of Minahasa, where there were held demonstrations against the Jajasan Kopra and its head office in Djakarta. Some of the local military and civil officials played leading roles in this extra-legal trade with the knowledge of Lt. Col. J.F.

---

190. Kasimo speech, 3 Dec., I.P. 1954, pp. 1209-1210.

191. Kasimo speech, 13 Dec., I.P. 1954, p. 1306.

Soon after Pratikto's appointment, the Jajasan Kopra Labor Union demanded his replacement. Abadi, 13 July 1954.

192. Cf. I.P. 1954, pp. 1107, 1198, 1341-1342. The motion was rejected by 92 to 115. Again Achsien was not present to vote.

In March 1955, the Ministry of Agriculture was divided into "directorates", but although Kasimo was the senior official in the estates sector (as Chief of the Department of Estates), he was passed over when the head of the new Directorate of Estates was named.

WAROUW,<sup>193</sup> Commander of the Military Territory of East Indonesia. This was the first major instance of a practice that was to grow ever more common-- the smuggling of raw materials from outlying parts of Indonesia under the auspices of the military authorities ostensibly to gain funds for local, social overhead purposes and in protest against the financial policies of the central authorities in Djakarta.

As a consequence of the growing unrest among copra producers, a copra conference was held in Tugu (near Bogor) on 2 December and continued in Djakarta on the fourth, which agreed on decentralizing and democratizing the Jajasan Kopra by including representatives of copra producing areas in its management. Another of its recommendations was that national exporters of copra cease using alien brokers within one year. Then in January 1955, the Jajasan Kelapa Minahasa (Minahasa Coconut Fund) was set up as the first step in the decentralization of the work of Jajasan Kopra.<sup>194</sup>

During the years before the elections most attention concerning Indonesianization of the economy was directed at the field of importing, where the indigenous Indonesian businessmen had become extremely active. Such Indonesianization was fostered and legitimized by the Central Government, which also had centralized foreign trade controls to such a degree that hardly any importing concern of repute failed to have its main office or a major branch in the capital city. This process of protecting Indonesians in importing was directed against the alien businessman and apparently heralded the "normal" importing structure of the future. Contrariwise, the trend which belatedly appeared in

---

193. In the midst of the controversy, Minister of Defense Iwa pinned a colonel's star on Warouw.

194. I.P. 1954, pp. 1286-1287; Bank Indonesia Report 1954-1955, p. 125.



exporting did not then seem to represent any such potentially permanent or normal process. Recalling to some extent the blockade running in which some local authorities were active (especially on Sumatra) during the Revolution, such exporting was fostered by regional authorities and stressed the interests of the more outlying regions of Indonesia. Consequently, instead of being a reaction to what was conceived by some as the exploitative alien, it was directed against what some conceived to be an exploitative centralized government, despite the fact that this government was the motive power behind much Indonesianization. Ironically, such a trend in exporting was to play as great a role--if not a greater one than that in importing--in the fortunes of the Indonesian economy and body politic in the immediately following years.

